



Cover image: Polixeni Papapetrou, *Heart*, 2016, (*Eden* 2016)
Polixeni Papapetrou 1960 - 2018

“When I was conceiving how to make Eden an odd thought kept running through my mind: if these were to be my last photographs what would I have to say about my life and my work? As it turns out, that voice was prescient and I am glad to have followed my instinct to create work about how we are nature...The seasons of growth, blossoming, and wilting are visibly illustrated in the life cycle of the flower, which also highlights our mortality...”

In Eden I used the language of flowers to explore life itself... The girls are enclosed in a floral embrace that symbolises their unity and acceptance of this miraculous thing we call life.”

Polixeni Papapetrou

The Southern Metropolitan Cemeteries Trust is honoured to celebrate the life and work of internationally acclaimed Melbourne photographic artist, Polixeni Papapetrou, who became closely connected to Melbourne General Cemetery. Her body of work, *Elvis Immortal* 1987 – 2002, documented the annual pilgrimage of Elvis fans to his memorial over 17 years. Commissioned to respond to Melbourne General Cemetery for the Centre for Contemporary Photography’s 2015 exhibition, *Tomorrow, and tomorrow, and tomorrow*, Polixeni created the poignant works; *I wove me a wreath*, *Olympia running under skies* and *The bell of transience*.

In accordance with her wishes, Polixeni Papapetrou now rests at Melbourne General Cemetery. In her own words, *“I will be buried in the Melbourne General Cemetery... the cemetery itself will become a site of significance for my family.”*

Polixeni Papapetrou

Image courtesy of the Artist’s Estate and Michael Reid Sydney + Berlin



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Introduction

A measure of a good society is how well it cares for those in need. The Southern Metropolitan Cemeteries Trust (SMCT) provides a haven for mourning, and environments where those grieving can navigate their journey at their own pace, as they come to terms with their new reality.

Our Purpose

We believe that every person, regardless of their religion, culture or personal preference should be able to honour and celebrate their loved one as they choose.

During this past year, our purpose has underpinned everything we do and our commitment to care, compassion and companionship has steered our strategic decisions. Our purpose translates to respect, dignity and accessibility for all Victorians. Significantly, no matter what a person's background or personal preferences, SMCT is honoured to provide every member of our multi-cultural community with the same high standard of personalised service and care.

Our strategies are congruent with our corporate social responsibility. We are a trusted public organisation that supports and cares for all. We are committed to providing choice and offering meaningful services that resonate with the values of our multi-cultural Victorian community.

SMCT conducts one third of funerals and 50% of Victoria's cremations annually. We have listened to the Victorian community and understand the social pressures surrounding convenience and disposability. We strive to provide services that are contemporary and relevant; and we continue to anticipate and innovate based on community expectations into the future.

SMCT operates in a commercial environment and is conscious of the need to stay relevant and sustainable in the long term. Operating within the *Cemeteries and Crematoria Act 2003*, SMCT will continue to invest in capability to drive innovation and to ensure we remain agile. In doing so, we strive to serve the Victorian community to the highest standard and also meet our community perpetual maintenance obligations. This is underpinned by strategic foresight, operational excellence and strong financial performance.

During FY18, SMCT achieved a cemetery operating revenue of \$63.1m (being \$1.3m or 2.1% above budget) and total operating result of \$22.2m (being \$8.3m or 59.5% above budget), contributing positively towards the Community Perpetual Maintenance Fund.

In implementing our Strategic Plan 2016-2020, we have continued to extend our locations as multi-use assets that form part of the community fabric. Enhancing our suite of services and creating an experience for our families, has seen a marked increase in the use of our facilities and grounds. SMCT currently welcomes approximately 2.5 million visitors to our locations each year.

We have positioned our memorial parks to be places of care, inclusion and support for the living. Our Centre for Care & Wellbeing (CCW) is a natural extension to our service offering, supporting members of the community who are isolated in their grief. By enabling them to connect with others with similar experiences, CCW has become a community sanctuary, offering both solace and companionship, together with a multitude of therapeutic resources.

Through ongoing community engagement, we have delivered services that enhance the experience for our customers. During the year we established the first natural burial bushland at Bunurong Memorial Park (BMP). Named Murrun Naroon ('Life Spirit'), this is a unique natural burial option positioned in a beautiful native bushland setting. We continue to develop culturally specific precincts across our sites to meet growing community needs.

During the reporting period, BMP won Gold in the Urban Design category of the DRIVENxDESIGN, Melbourne Design Awards 2018. This award recognised BMP's unique design which respectfully honours and celebrates life in a vast and vibrant native landscape. The award celebrates creativity and innovation in design that connects people, places and contemporary urban form.

We are proud of our accomplishments during FY18, which have included:

- Strong financial performance, with the operating revenue target exceeding budget, largely due to the growth in our hospitality portfolio generated by our in-house food and beverage services.
- Successful construction and release of the Saint Michael the Archangel Mausoleum at Melbourne General Cemetery.
- Completion of the first stage of the extension of Song He Yuan, the contemporary Asian-influenced precinct at Springvale Botanical Cemetery.
- The seamless amalgamation of Sorrento Cemetery into the SMCT portfolio.
- Maintaining a high level of employee engagement across the organisation, reflected in our employee engagement score of 84%.
- Commencement of the implementation of our digital strategy to increase SMCT's online presence and customer touch points, designed to leverage digital opportunities and enable growth.
- Embedding a Safety Leadership culture, including accountability for health, safety and wellbeing across the organisation.

- Enhancing our employee wellbeing program, Activate Health, which was one of three finalists for 'Best Health and Wellbeing Program' in the National Safety Council of Australia's National Safety Awards of Excellence.
- Design and delivery of a comprehensive Leadership Development Program focused on capability development and the distribution of senior leadership.

To remain agile within changing conditions, we developed our new five-year rolling Strategic Plan 2019-2023 during the reporting period and re-positioned our vision.

Our Vision

Our beautiful, iconic locations empower all communities to honour and celebrate life.

We support the living throughout their grief journey, through our innovative approach of personalised care and compassion.

Our vision focuses on choice, innovation and supporting the living.

The overarching priorities within the Strategic Plan 2019-2023 underpin the importance of further strengthening the customer centric culture; building and delivering operational excellence; a deliberate focus on our people; and sustainable financial growth.

Our four key Strategic Priorities remain:

- 1) Embracing Customer Centricity
- 2) Pursuing Strategic Growth
- 3) Enhancing Strategic Engagement
- 4) Investing in People Development

PRIDE in Our Values

At each and every cemetery and memorial park within our care we pledge to each other and to our clients that we will act with PRIDE.

Passion - commitment in heart and mind

Respect - by valuing every voice

Integrity - doing what is right

Dedication - to the needs of our clients and our people

Empathy - to listen and reflect with sensitivity

Our values continue to guide our organisational culture and service delivery standards.

The key to a flourishing organisation is the ongoing commitment and the development of our people. The engagement of our employees is reflected in the overall employee engagement score of 84%. Recognising that our people are our greatest asset, a key objective of our strategic plan is to focus on nurturing and growing our employees' capabilities. We believe that this will facilitate a creative, innovative, agile and high-performance culture, which will enable the delivery of our strategy and ensure the long-term sustainability of SMCT.

We would like to acknowledge Trust members whose tenure expired during the reporting period. Mr Richard Jones, Ms Gaye Mason and Mr Stephen Shipp have stewarded and shaped the organisation with professionalism, pride and a commitment to continual improvement. We also recognise and thank Mr Matthew Mills for his contribution in steering major infrastructure projects. We thank Mr Brian Oates who had a commitment to environmental sustainability and whose term expired in June 2018.

Our Community Advisory Committee provides insights to guide, support and pressure test our thinking on new services. We acknowledge their dedication, contribution and thank them for their collective endeavours.

We thank and acknowledge all our employees' tireless efforts and commitment to providing high quality care and excellence. It was inspiring to see a record number attend the PRIDE Awards at our annual employee celebration and recognition evening. Ongoing strong employee engagement has ensured that excellent standards have been maintained across the organisation.

To the Trust and our Executive Leadership Team, who have guided SMCT in achieving our strategic objectives and maintained a clear focus on our purpose, whilst pursuing an agenda of innovation and operational excellence – a sincere thank you.

We extend our formal thanks to the Department of Health and Human Services (DHHS) for the ongoing provision of invaluable guidance and feedback.

Moving forward, SMCT will continue to progress targeted initiatives whilst listening and harvesting the voice of the Victorian community. As a purposed organisation our focus will be on providing care and compassion. We continue to adapt our service offering in line with the changing multi-cultural community's expectations and values.

In accordance with the *Financial Management Act 1994*, we are pleased to present the Report of Operations for the Southern Metropolitan Cemeteries Trust for the year ending 30 June 2018.

On this day, 2 August 2018. Springvale, Victoria.



A handwritten signature in black ink, appearing to read 'Sue Renkin'.

Sue Renkin Trust Chairman



A handwritten signature in black ink, appearing to read 'Jane Grover'.

Jane Grover CEO



The Trust at a Glance

The strategic direction of the Trust continues to be enhanced by listening and responding to the needs of the Victorian community.

Southern Metropolitan Cemeteries Trust (SMCT) is a purposed, not-for-profit organisation, responsible for the perpetual care and maintenance of Bunurong and Cheltenham Memorial Parks, and Brighton General, Cheltenham Pioneer, Dandenong Community, Melbourne General, Sorrento, Springvale Botanical and St Kilda cemeteries. The total land area managed by SMCT is 362.3 hectares.

SMCT's corporate office is located within the grounds of Springvale Botanical Cemetery, 600 Princes Highway, Springvale, Victoria.

Formed in March 2010, under the *Cemeteries and Crematoria Act 2003*, the Trust, led by Chairman Sue Renkin, reports to the Minister for Health, the Hon. Jill Hennessy MP, through the Cemetery Sector Governance Support Unit of the Department of Health & Human Services (DHHS).

SMCT Trust Members

SMCT is governed by a board of nine highly skilled and experienced Trust members who bring a balance of public, not-for-profit and private sector experience to the organisation.

Trust members hold office for a maximum tenure of three years and are eligible to apply for reappointment. All Trust appointments are made by the Governor-in-Council on the recommendation of the Minister for Health.

The Trust is responsible for setting the overall strategic direction of the organisation and Trust members bring a great depth of knowledge in their respective fields of expertise, enabling them to address both current and emergent strategic conditions.



SMCT Trust members as at 30 June 2018. L-R Jane Grover (CEO), Roger Chao, Phil Davies, Julie Busch, Leigh Mackay, Brian Oates, Sue Renkin (Chairman), Sam Afra (Absent: Sandy Chakravarty)

Our Current Trust Members

Trust Chairman - Sue Renkin

BBS, MBA, Grad.Dip.Corp.Gov., MAICD, FCDA.

Sam Afra JP, MAICD.

Robin Buckham (appointed 1 July 2018)

BA, DipEd, MCom (Mktg).

Craig Burke (appointed 1 July 2018)

BBus (Acc), FCPA, MAICD, CPA.

Julie Busch BA, Grad.Cert.Shop.Gen.Mgmt.,

Grad. Dip. Business, GAICD.

Sandy Chakravarty

BEc, MBA, MEc, CPA, GAICD.

Roger Chao BA, B.Ec, Grad.Dip.Bus,

MBA, GAICD, FGIA, FAIM, BJ.

Phil Davies BA (Hons), LLB (Hons),

LLM, GAICD.

Leigh Mackay LLB, GAICD.

Trust members who served during the reporting period:

Richard Jones – Trust member from 1 March 2010 to 31 August 2017

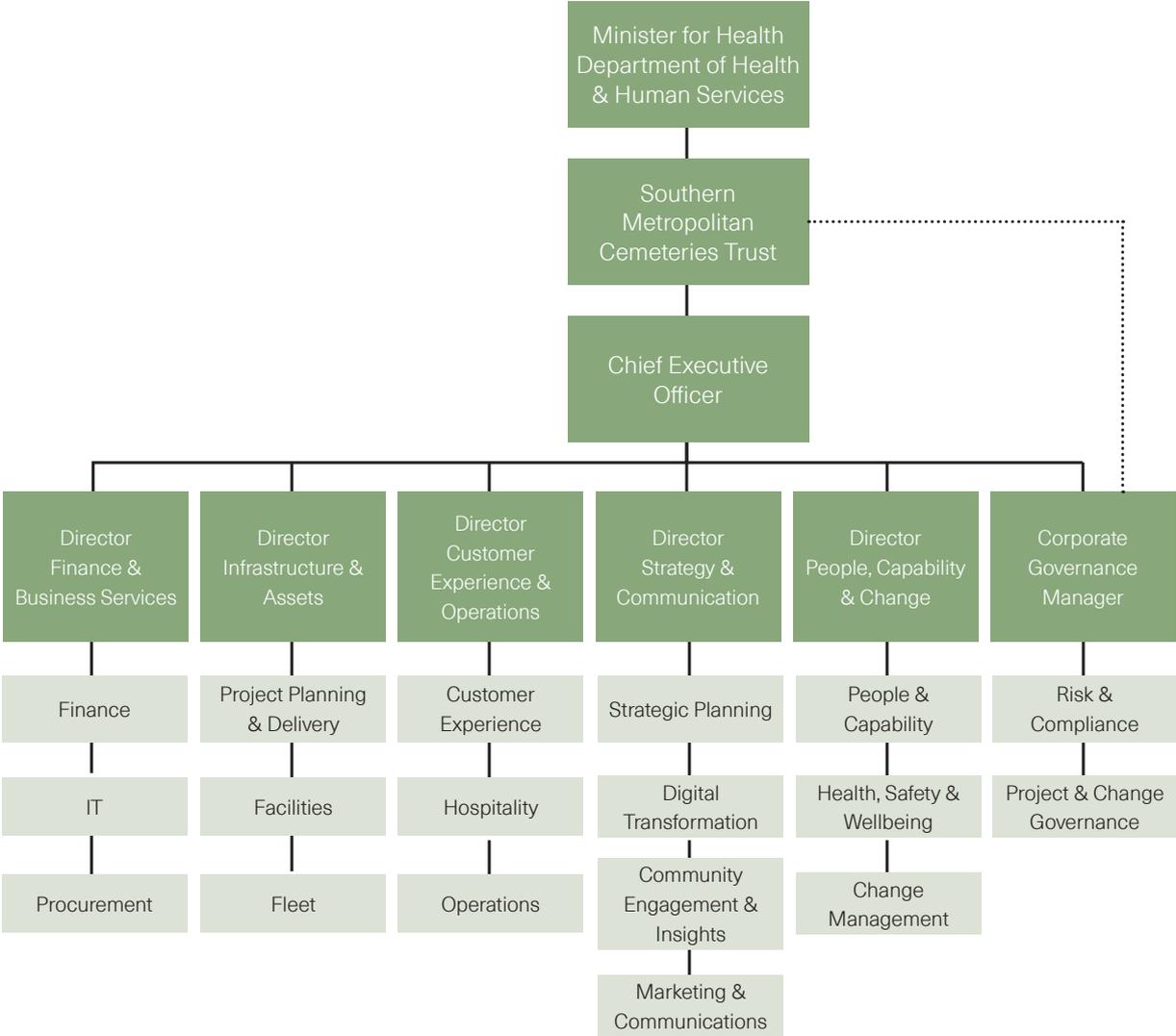
Gaye Mason – Trust member from 1 March 2010 to 31 August 2017

Matthew Mills – Trust member from 1 September 2014 to 31 August 2017

Brian Oates – Trust member from 1 March 2016 to 30 June 2018

Stephen Shipp – Trust member from 1 March 2010 to 31 August 2017

SMCT's Organisational Structure



Services Performed During the Reporting Period 1 July 2017 - 30 June 2018

| | |
|-------------------------------|---------------|
| Cremation | 9,391 |
| Interment in graves | 3,512 |
| Interment in mausolea | 254 |
| Interment of cremated remains | 501 |
| | 13,658 |

PROFILE AND PERFORMANCE OF SMCT LOCATIONS

| | Southern Metropolitan Cemeteries Trust | Brighton General Cemetery | Bunurong Memorial Park | Cheltenham Memorial Park | Cheltenham Pioneer Cemetery | Dandenong Community Cemetery | Melbourne General Cemetery | Springvale Botanical Cemetery | St Kilda Cemetery | Sorrento Cemetery |
|----------------------|--|---------------------------|------------------------|--------------------------|-----------------------------|------------------------------|----------------------------|-------------------------------|-------------------|-------------------|
| Established | 1 March 2010 | 1854 | 1995 | 1933 | 1865 | 1857 | 1852 | 1901 | 1855 | 1886 |
| Hectares (ha) | 362.3 ha | 12 ha | 101 ha | 17.2 ha | 4.1 ha | 4 ha | 43 ha | 170 ha | 8 ha | 3 ha |
| Employees FTE | 264.82 | 0.9 | 32.42 | 16.6 | 0 | 0 | 3 | 210.5 | 0 | 1.4 |
| Number of Cremations | 9,391 | N/A | 2,573 | N/A | N/A | N/A | N/A | 6,818 | N/A | N/A |
| Number of Interments | 4,267 | 95 | 577 | 395 | 28 | 43 | 312 | 2,777 | 24 | 16 |
| Operating Revenue | \$63,095,849 | \$1,571,031 | \$9,982,393 | \$2,742,084 | \$135,985 | \$399,371 | \$8,510,471 | \$39,221,351 | \$467,424 | \$65,739 |
| Community Events | Yes | Yes | Yes | Yes | No | No | Yes | Yes | Yes | No |

Strategic Priorities

During the period, SMCT developed a refreshed Strategic Plan 2019-2023. Our new five year rolling Strategic Plan 2019-2023 will continue to focus on core priorities, including information and communication technology, delivering operational excellence, investing in our people and further strengthening our customer centric culture.

We will invest in enhancing our hospitality service offering that will ensure sustainable financial growth.

As set out in the Strategic Plan 2019-2023, our focus on trust, community, agility and purpose will underpin our aspirations for sustainable growth.

This Strategic Plan provides a clear focus for the organisation moving forward and is used to establish our Annual Plans and Key Performance Objectives.

The four Strategic Priorities also form the structure of this Report of Operations.

- Embracing Customer Centricity
- Pursuing Strategic Growth
- Enhancing Strategic Engagement
- Investing in People Development

This report will commence with a section on Governance and Accountability, which outlines our enduring responsibility in relation to the effective and efficient management of the cemeteries and memorial parks within our care.

The report also includes a 'Spotlight on Sustainability', and a 'Looking Forward' section, which highlights the imminent plans for the financial year ahead.



Governance and Accountability

Southern Metropolitan Cemeteries Trust (SMCT)

acknowledges that strong governance and accountability are critical to the successful achievement of our strategic imperatives.

SMCT's Corporate Governance Framework ensures that we:

- Recognise the importance of consulting and engaging with the community.
- Act in a truly customer centric manner in everything we do.
- Understand our current and future roles and responsibilities.

SMCT is a community focused organisation, providing burial, cremation and memorialisation services for metropolitan Melbourne and Victoria. Based on community demand, we have expanded our core services to include food and beverage, and hospitality services. We are responsible to the Minister for Health the Hon. Jill Hennessy MP, who has entrusted SMCT to manage the locations for which we are responsible.

During the reporting period the Trust met 11 times to oversee the governance and strategic direction of SMCT.

The Trust's focus is on strategic planning, business development, financial performance, risk management and governance, including legal and regulatory compliance. The Trust also reviewed the performance of the Executive Leadership Team, measuring results against business plans and strategic objectives.

The Trust has ongoing responsibility for:

- Steering the strategic direction of the organisation.
- Ensuring that governance arrangements are maintained, together with sound financial management and best practice asset management.
- Overseeing and appraising the performance of the organisation against strategic objectives.
- Ensuring its statutory and regulatory obligations are met and that the organisation's risk management systems are active and effective.

SMCT also fully recognises our community perpetual maintenance obligations and community service obligations, ensuring that funds are set aside for our cemetery and memorial park locations to be maintained in perpetuity for the benefit of all Victorians.

To fulfil these responsibilities, and to ensure SMCT is governed and managed in an accountable and responsible way, the organisation maintains a robust corporate governance framework.

Corporate Governance Framework

SMCT considers financial sustainability, strategic risk management and effective corporate governance to be fundamental principles that underpin the organisation.

SMCT's approach to corporate governance is based on a set of values and behaviours that underpin day-to-day activities, provide transparency and seek to provide efficient and effective management of our cemetery and memorial park locations in the public interest.

This approach includes a commitment to excellence in governance standards, which SMCT sees as fundamental to the long-term sustainability of our organisation and our performance.

Trust Composition

Details of Trust members who held office during the year are listed in this report under the previous section 'The Trust at a Glance'. The composition of the Trust reflects the broad expertise required to oversee SMCT's affairs.

Independence of Trust Members

On an annual basis, Trust members are required to complete a Declaration of Private Interests statement. Declarations of conflicts of interest were required at the beginning of each Trust and Trust sub-committee meeting in line with the Code of Conduct and Conflict of Interest Policy. Having considered the declared relationships and interests, the Trust considers each Trust member to be independent.

Board Performance

The Trust is committed to maintaining the highest standards of governance and is required to regularly review the Trust and its sub-committees' performance. A formal self-assessment is conducted each year to assess the effectiveness against specific objectives contained in the Trust and sub-committee charters. Every three years the Trust conducts an externally facilitated Board Evaluation of the performance of the Trust, each Trust member and the Chairman.

Trust Committees

The Trust maintains five sub-committees to assist in executing Trust responsibilities in a review or advisory capacity, unless given other powers by the Trust. Each Committee is chaired by a member of the Trust and has a Charter, which specifies the role of the Committee. As part of the Trust's Board Evaluation process, each Committee evaluates its performance annually.

Community Advisory Committee

The Community Advisory Committee (CAC) is established in accordance with the requirements of section 18D of the *Cemeteries and Crematoria Act 2003*. The CAC performs a highly valued advisory role for the Trust with respect to its community engagement priorities and commitments.

The CAC meets quarterly and comprises ten members, two of which are Trust members and eight of which are voluntary members appointed by the Trust. Chaired by Roger Chao, the CAC's membership includes representation from key multi-cultural and religious organisations, local and state government and interfaith networks. CAC members offer a truly diverse perspective, providing the organisation with key insights into the evolving needs and expectations of the communities we serve.

Finance and Investment Committee

The Finance and Investment Committee is established in accordance with the requirements of section 18B of the *Cemeteries and Crematoria Act 2003*. The Committee, chaired by Phil Davies, has an advisory role assisting the Trust in fulfilling its financial management, planning and major financial decision making functions. It also provides direction and oversight of SMCT investments. During the reporting period, the Trust appointed Liz Grainger as an external member to the Committee to provide additional governance oversight by this Committee.

Audit and Risk Committee

The Audit and Risk Committee is established in accordance with the requirements of section 18B of the *Cemeteries and Crematoria Act 2003*. The Committee, chaired by Julie Busch, has an advisory role assisting the Trust in fulfilling its governance and



Current and former Community Advisory Committee members with SMCT Employees

compliance responsibilities, risk management, financial reporting, legislative and regulatory compliance, internal control and audit. During the reporting period the trust appointed Liz Grainger as an external member to the Committee to strengthen the oversight of this Committee.

Executive Remuneration and Appointment Committee

The Executive Remuneration and Appointment Committee, chaired by Sue Renkin, has an advisory role supporting the Trust, and providing expertise in the areas of executive remuneration and performance, performance management and the organisation's human resource framework.

Infrastructure Planning Committee

The Infrastructure Planning Committee, chaired by Leigh Mackay, has an advisory role assisting the Trust in fulfilling its infrastructure planning and major capital works projects.

During the period, the Committee provided oversight of a number of large infrastructure projects including the delivery of Saint Michael the Archangel Mausoleum at Melbourne General Cemetery and the commencement of the extension to the Song He Yuan precinct at Springvale Botanical Cemetery.

ATTENDANCE AT TRUST AND COMMITTEE MEETINGS 1 JULY 2017 - 30 JUNE 2018

| | Meetings Held | Sue Renkin | Leigh Mackay | Julie Busch | Brian Oates | Sam Afra | Phil Davies** | Roger Chao** | Sandy Chakravarty** | Stephen Shipp * | Gaye Mason* | Matthew Mills* | Richard Jones* | Liz Grainger (external member) |
|--|---------------|------------|--------------|-------------|-------------|----------|---------------|--------------|---------------------|-----------------|-------------|----------------|----------------|--------------------------------|
| Trust | 11 | 11 | 11 | 10 | 10 | 10 | 8 | 9 | 6 | 2 | 2 | 2 | 2 | |
| Audit & Risk Committee | 5 | 4**** | 3 | 5 | | 2 | | 3 | 3 | | 2 | | 2 | 2 |
| Community Advisory Committee | 4 | | 1 | 3 | | | | 3 | | | | | | |
| Finance & Investment Committee | 8 | 7**** | | | 2 | 6 | 6 | | 7 | 1 | 1 | | 1 | 3 |
| Executive Remuneration & Appointment Committee | 2 | 2 | | 2 | | | 1 | | | | | 1 | | |
| Infrastructure Planning Committee | 4 | 4 | 4 | | 3 | | 3*** | | | 1 | | 1 | | |

* Stephen Shipp, Gaye Mason, Matthew Mills and Richard Jones - Trust members during the period 1/7/17 to 31/8/17.

** Roger Chao, Phil Davies and Sandy Chakravarty - Trust members commenced on 1/9/17.

*** Observer

**** Trust Chairman attends in ex-officio capacity

Liz Grainger is an external member appointed to the Audit & Risk and Finance & Investment Committees on 1/2/18.

Management Committees

A number of management committees met regularly to enhance cross-functional communication, promote good governance and maximise operational efficiency.

Executive Risk Management Committee

The Executive Risk Management Committee, chaired by the Corporate Governance Manager, provides strategic leadership and governance of SMCT's enterprise risk management processes and framework.

Health, Safety & Wellbeing Committee

The Health, Safety & Wellbeing Committee (HSW Committee) is chaired by the Director People, Capability & Change, who escalates any new, high or outstanding risks to the Executive Team.

The HSW Committee was convened four times during the reporting period, ensuring SMCT met its obligations under the *Victorian Occupational Health and Safety Act 2004* and the SMCT HSW Management Framework.

SMCT has embedded a safety leadership culture throughout the organisation. Further information is provided in the section 'Investing in People Development'.

Emergency Planning Committee

The Emergency Planning Committee (EPC) comprises members selected by the Executive Leadership Team and includes representatives from Governance & Risk, Health, Safety & Wellbeing, Infrastructure and Operations. The Committee is chaired by the Corporate Governance Manager.

During the reporting period, the EPC focused on building organisational capability to respond appropriately to both emergency and crisis situations.

Managing Risk

SMCT operates an Enterprise Risk Management Framework for the management and reporting of risks, which is compliant with the risk management principles contained in the *International Risk Management Standard ISO 31000: 2009*. As part of this Framework, SMCT maintains a Trust-approved Risk Appetite Statement, which sets the agreed parameters and boundaries under which the organisation may operate.

During the period, SMCT implemented and embedded a refreshed Risk Governance Reporting System. This system supports the recording, assessment and monitoring of both operational and strategic risks and their associated mitigation action plans to inform SMCT's strategy development and execution process.

Standing Directions of the Minister for Finance under the *Financial Management Act 1994*



Compliance

The principle guiding Act for the cemeteries sector is the *Cemeteries and Crematoria Act 2003*.

Under section 15 of the *Cemeteries and Crematoria Act 2003*, the Trust is able to delegate certain operational functions and powers. An Instrument of Delegation of Functions and Powers delegates such allowable functions via the Trust's Delegation of Authority Policy.

Building Act 1993

All new work and the redevelopment of existing properties conforms to the *Building Act 1993*, the Building Regulations 2018 and the Building Code of Australia (BCA).

Freedom of Information

SMCT's Corporate Governance Manager was the Principal Officer for Freedom of Information (FOI) applications during the reporting period.

FOI requests must be made in writing and can be submitted via email FOI@smct.org.au or via post: PO Box 1159, Clayton, Vic 3169.

There were no FOI applications for FY18. In compliance with the spirit of the FOI legislation, all reasonable requests for records of the deceased are granted as required under sections 59 and 60 of the *Cemeteries and Crematoria Act 2003*.

National Competition Policy

SMCT complies with the Code of Practice relating to the sale and supply of memorialisation goods and services by cemetery Trusts and other alternative suppliers

in Victorian public cemeteries, facilitated by the Department of Health and Human Services (DHHS). This Code promotes a fair and equitable environment for the supply of such goods and services and ultimately benefits purchasers.

Procurement

SMCT's Purchasing Policy and associated purchasing procedures adhere to Victorian Government Purchasing Board principles and comply with Victorian Public Sector values, codes and standards.

In delivering purchasing services, SMCT's business transactions are fair, open and demonstrate the highest levels of integrity and probity, consistent with the public interest.

Privacy Legislation

SMCT maintains a Privacy Policy and supporting privacy procedures, which articulate SMCT's practices when dealing with Personal Information. SMCT is committed to complying with the Victorian Charter of Human Rights and Responsibilities and the *Privacy and Data Protection Act 2014 (Vic)*.

Protected Disclosures

SMCT complies with the provisions of the *Protected Disclosures Act 2012 (Vic)* to encourage and facilitate disclosures of improper conduct of public officers or bodies and to provide protection to persons making such disclosures from detrimental action. No disclosures were made during the reporting period.

Declarations of Pecuniary Interests

Trust members and Executives have completed a Declaration of Private Interests Statement.

No shares are held by Trust members or Executive employees as nominees or held beneficially in a statutory authority or subsidiary.

There are specific disclosures in the financial statements (see index).

Compliance with Standard Disclosures – Report of Operations

In compliance with the requirements of FRD 22H Standard Disclosures in the Report of Operations, details in respect of the items listed below have been retained by SMCT and are available to the relevant Ministers, Members of Parliament and the public on request (subject to freedom of information requirements, if applicable):

- a) details of publications produced by SMCT and how these can be obtained;
- b) details of changes in prices, fees, charges, rates and levies charged by SMCT;
- c) details of any major external reviews carried out on SMCT;
- d) details of major research and development activities undertaken by SMCT;
- e) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- f) details of major promotional, public relations and marketing activities undertaken by SMCT to develop community awareness of SMCT and its services;
- g) details of assessments and measures undertaken to improve the occupational health and safety of employees;
- h) a general statement on industrial relations within SMCT and details of time lost through industrial accidents and disputes;
- i) details of all consultancies and contractors including:
 - (i) consultants/contractors engaged;
 - (ii) services provided; and
 - (iii) expenditure committed to for each engagement.

VICTORIAN INDUSTRY PARTICIPATION POLICY DATE

| Contracts | Value of Contracts (inc. GST) | Area | Local Content | FTE Jobs | FTE Apprenticeships Retained | Skills/Technology Commitment |
|--|------------------------------------|--------------|---------------|----------|------------------------------|--|
| Bronze Plaques | \$7,087,915 (5 years) | Metropolitan | 100% | 10 | 2 | Contractor has made commitments to staff training and skill development. |
| Melbourne General Cemetery Mausoleum | \$7,761,246 (completed April 2018) | Metropolitan | 89.41% | 23 | 8 | Contractor has made commitment to provide skills development of apprentices, and monitor their training. |
| Song He Yuan Ext. Stage 2 Construction | \$19,627,300 (commenced June 2018) | Metropolitan | 92.06% | 5 | 2 | Contractor has made commitments to undertake and monitor staff training and skills development. |



Strategic Priority **ONE**

Embracing Customer Centricity

Our customers continue to be at the heart of everything we do.

As a truly customer centric organisation Southern Metropolitan Cemeteries Trust (SMCT) appreciates the need to stay connected to our communities to ensure that we continue to provide them with support and meaningful experiences. Our ongoing commitment to community engagement and collaboration enables us to remain relevant and, in turn, supports our long-term sustainability.

We understand that our core purpose is to ensure that every person, regardless of their religion, culture or personal preference, is able to honour and celebrate their loved one as they choose.

Our focus, therefore, is to support the living throughout their grief journey. To this end, we provide impartial and transparent information to ensure they are empowered to make informed decisions that are right for them and their family.

SMCT has a steadfast commitment to caring for the community. We are committed to providing choice, flexibility and the most considered support services. We nurture an internal culture of care and compassion, resulting in dedicated and passionate employees companioning people through their grief journey. We fully appreciate that the smallest of gestures can have a profoundly positive impact on those who are in mourning.

KEY OUTCOMES:

- Aligning our new product and service offerings according to our engagement insights.
- A clear focus on continuous improvement driven by the ‘Voice of the Customer’ digital feedback.
- Completion of the Customer Experience Optimisation Program (CXOP).
- Alignment of Customer Experience and Operational functions to ensure continuity of our experience offering.



Member of the Team at Springvale Botanical Cemetery's Customer Service Centre

"Approximately two weeks ago I was out visiting my son, as I do every day. Your amazing staff were out digging another grave just across from my son. One of your staff members, I do not know his name, went above and beyond. He saw me standing over my son's grave and walked over to me and offered me a chair. He saw the tears streaming across my face and went and got me a tissue to use. He said a couple of nice words to me and left to continue his work.

I have never been so touched and I am sure that my son would have been smiling down on this young man. What an exceptional person."

Excerpt of a letter from a mother of a child interred in the Children's Area at Springvale Botanical Cemetery.



Children's Area at Springvale Botanical Cemetery

Aligning Our New Offerings According to Our Engagement Insights

SMCT constantly scans conditions and continually engages with our multi-cultural communities to ensure that our service offerings are aligned to their changing needs. During FY18, we made significant additions to our diverse offering.

Saint Michael the Archangel Mausoleum

SMCT's major project for the period was the construction and release of the Saint Michael the Archangel Mausoleum (SMTA) at Melbourne General Cemetery (MGC). Carefully constructed on the last piece of significant vacant land within this iconic and historic cemetery, SMTA was designed with considerable care for the environment to ensure that it complements the existing surroundings.

SMTA is a two-storey mausoleum, unlike any other. With exceptionally high quality finishes, it provides the local community with new, prestigious and culturally sensitive options within the historic MGC.



Official blessing of Saint Michael the Archangel Mausoleum by the Most Reverend Bishop Terence R Curtin DD

Murrun Naroon - Natural Burial within Bunurong Memorial Park

During the financial year, we engaged in significant community consultation regarding the desire for an authentic natural burial area. In line with the consumer insights gained, we developed a special area within Bunurong Memorial Park (BMP) that caters to the needs of those wishing to be buried in a place that leaves a minimal environmental 'footprint'. This area also accommodates cremated remains and will take the Aboriginal name Murrun Naroon, meaning 'Life Spirit'.

The Lotus Garden at Song He Yuan

Over the last 15 years, the Asian Buddhist community has warmly accepted the Song He Yuan (SHY) area within Springvale Botanical Cemetery (SBC). We learnt through our community engagement that non-Buddhist communities also appreciated the feng shui design elements within the existing SHY. To accommodate their needs, we created the adjacent Lotus Garden, which provides for full monumental graves in a highly landscaped area, with flexibility in terms of the orientation of the monuments.

In addition to the construction of the Lotus Garden, we also developed long term growth plans for the existing SHY area, which will see significant works conducted in FY19. These will ensure that SBC is able to serve this community for the next 15 years.

The Centre for Care & Wellbeing

Through the power of observation and listening to the needs of our community, the Centre for Care & Wellbeing (CCW) was established at SBC to steward and companion those navigating their way through grief.

A natural extension of our service offering, this is the first time a service such as this has been offered in a cemetery environment.

The CCW provides care and companionship in a welcoming community sanctuary, together with educational sessions, meditation, light yoga, stretch and art therapy.

"I have felt so nourished and strengthened here. If I was to capture the essence of being at the centre, I would use the following 3 words: Presence, Healing, Connection. I've reflected a lot about what our precious human life is all about and now it is crystal clear: we are here to have loving, uplifting, supportive and rich relationships with ourselves and others. Nothing else matters. The existence of the Centre for Care & Wellbeing perfectly aligns with that purpose and I for one, will be eternally grateful for its presence."
Regular visitor at the CCW.



Gathering for Christmas Carols at the Centre for Care & Wellbeing

Sorrento Cemetery

During the financial year, SMCT proudly welcomed Sorrento Cemetery into our care. Considerable planning and community engagement ensured that the transition of the cemetery occurred seamlessly, with the local community kept informed of progress. Moving forward, we will continue to engage with the community to ensure that the offering provided within Sorrento Cemetery meets their needs.

Café Vita et flores

SMCT's fastest growing revenue stream is our hospitality service offering via our in-house catering arm Café Vita et flores. We appreciate that the 'experience' is of utmost value to the customer and have continually refined our offering in all hospitality touch points. We continually improve our service delivery and strengthen our ability to customise for all cultures and preferences. With revenue in excess of \$5.0m in FY18, we have realised growth of 360% in 5 years. This is a clear demonstration of how SMCT continues to generate value to customers by embracing customer centricity.

A Clear Focus on Continuous Improvement Driven by the 'Voice of the Customer'

During the reporting period, SMCT has continued to embed a culture of continuous improvement, driven by our digital solution for feedback, the 'Voice of the Customer'.

Covering both client families and funeral directors, it provides us with both Net Promoter and Net Easy scores across various locations and touch points.

We also developed a system that combines Voice of the Customer data with feedback, compliments and requests for 'works requiring attention'. The aggregation of this information allows us to identify trends and quickly action key opportunities for improvement for the benefit of client families and funeral directors.

Memorial Services

To further enhance community engagement, SMCT is committed to conducting memorial services throughout the year. Many services are conducted to coincide with significant calendar events.

BMP hosted our annual Mother's Day and Father's Day Remembrance Services, with record numbers attending. Moving and memorable, these services once again provided our mutual client families and the broader community an opportunity to reflect and remember together.



Community members at Mother's Day Remembrance Service at Bunurong Memorial Park

SMCT also hosted several All Souls Day Mass services to highlight the day in the Christian calendar that commemorates the faithful departed and honours all who have passed. Over 2,500 people attended the All Souls Day services held in November 2017.



All Souls Day Service at Springvale Botanical Cemetery

SMCT's inspirational annual Children's Christmas Remembrance Service was hosted at SBC to support families who have lost a child. Held on 3 December 2017, this special dusk service was attended by over 600 people.



Family at the Children's Christmas Remembrance Service, Springvale Botanical Cemetery

SMCT was also proud to have hosted the End of Day Reflection Service on National Police Remembrance Day in September 2017. This memorable service was conducted at SBC's Victoria Police Memorial in partnership with Victoria Police and was attended by Chief Commissioner Graham Ashton AM, Gabrielle Williams MP on behalf of the Premier's Office, Shadow Minister for Police Edward O'Donohue and retired members of the police force. Close to 100 community members honoured police lost in the line of duty.



Chief Commissioner Graham Ashton at the Police Remembrance Service, Springvale Botanical Cemetery

We are proud that the Australian War Graves is located within the grounds of SBC and it is within these grounds that we co-host the annual RSL Remembrance Day Service, together with the Returned Servicemen's League's Victorian Branch. This year's event was held in November 2017 with community members in attendance including the Premier of Victoria The Hon. Daniel Andrews MP.



SMCT Trust members and CEO Jane Grover with The Hon. Daniel Andrews MP at the Remembrance Day Service held at Springvale Botanical Cemetery

The Customer Experience Optimisation Program (CXOP)

During FY16, SMCT embarked on a journey of significantly improving the customer experience across our locations and touch points. This was enabled by the development of our comprehensive Customer Experience Optimisation Program (CXOP). We are proud to announce that FY18 saw the successful completion of the program, which has resulted in significant outcomes.

As part of the CXOP we focused our attention on a number of areas within our Customer Experience teams including:

- Re-structuring the **leadership** team to ensure that leaders had the capacity and capability to support team members.
- Prioritising **employee engagement** (reflected by the team employee engagement survey score of 87%, being 19% higher than the Australian benchmark and 5% higher than our 2016 score).
- Consolidating our **Contact Centre** across our two key locations, SBC and BMP.
- Consolidating our **Funeral Bookings**, providing funeral directors with 7-day access to all locations.
- Creating a **Delivery & Solutions Team** to support front-line staff.
- Creating a **core knowledge management** system, ensuring relevant policies and procedures are easily accessible.
- Developing **balanced scorecard reporting**.
- Creating a **digital feedback mechanism** across all of our key touchpoints at all locations, providing us with 'Voice of the Customer' insights.

As a result of the above initiatives our Customer Experience teams are ideally positioned to operate in a truly customer centric manner and we now have sophisticated systems in place to assess our performance and continue to identify areas of opportunity.

Ensuring Continuity of Experience Offering by Aligning Core Functions

During the FY18 period, the Customer Experience and Operations teams were brought together within the one portfolio to ensure that teams work cross-functionally to provide a consistent and seamless experience for client families.

With the Customer Experience team on a journey of development, we are now focusing our attention on further developing our Operational teams to ensure that they are also ideally positioned to operate in a truly customer centric manner. We will also ensure that sophisticated systems are established to assess operational performance and that opportunities for continuous improvement are identified and actioned.

With the Operational teams on this journey, we will ensure full alignment across all teams. This will further nurture a culture of collaboration with cross-functional teams working seamlessly together to ensure an optimal experience for client families.

Looking Forward

Moving into FY19, we will continue to nurture a culture of improvement, driven by our customer centric approach.

Key priorities to be addressed during FY19 include:

- Development of our Operational areas to ensure that they are ideally positioned to enhance the customer experience, with robust mechanisms in place.
- Ensuring that we continue to meet the needs of our diverse communities by investing in the next stage of Song He Yuan and commissioning the third Saint Padre Pio Mausoleum at SBC.
- Ensuring ongoing engagement and support of our team members to enable them to provide the best possible care and service standards to our client families.



Artist's impression of the future development at Song He Yuan



Strategic Priority **TWO**

Pursuing Strategic Growth

To ensure we remain sustainable over the long-term, we balance our organisational purpose and commercial sustainability.

Southern Metropolitan Cemeteries Trust (SMCT)'s strategic growth continues to be guided by our strong foundation of customer centricity and a deep understanding of the needs of our diverse community. Leading with our purpose, SMCT has developed viable and sustainable strategies that will grow our Community Perpetual Maintenance Fund, in order to maintain all nine locations in perpetuity.

From a financial perspective, FY18 was another strong year for SMCT, with the operating revenue achieved exceeding budget.

A healthy balance sheet, together with a resilient investment portfolio provides a strong financial foundation to pursue strategic growth opportunities to meet our Community Perpetual Maintenance Fund obligations.

Responding to Community Needs

SMCT continues to anticipate and proactively respond to the needs of our diverse communities through ongoing engagement, robust research frameworks and innovation, which in turn results in strong and sustainable revenue streams.

KEY OUTCOMES:

- The completion and opening of the Saint Michael the Archangel Mausoleum at Melbourne General Cemetery (MGC).
- Planning of the third stage of the Saint Padre Pio Mausoleum at Springvale Botanical Cemetery (SBC).
- The opening of the Asian inspired Lotus Garden and extension of Song He Yuan at SBC.
- Growth in hospitality service offerings.

Mausolea Developments

With the architecturally groundbreaking Saint Michael the Archangel Mausoleum completed at MGC during the period, the response from the Italian community was strong with 22% of crypts (\$5.9m) sold to date.

With overwhelming acceptance of the second stage of the Saint Padre Pio Mausoleum at SBC, the design and development of the next stage commenced during the reporting period. We look forward to the construction and release of this during the year ahead.

The Lotus Garden at Song He Yuan

Through ongoing engagement with the Asian community, SMCT identified the need to develop a contemporary, Feng Shui-inspired precinct within the Song He Yuan area at SBC. The garden name was based on the meaning and interpretation of the lotus flower, which shares many relationships with the Chinese culture. This development provides greater choice and meets the growing demand from the Asian community.



Lotus Garden, Springvale Botanical Cemetery

Song He Yuan Extension

Driven by overwhelming acceptance and strong community demand, we have commenced further extension of the magnificent Feng Shui-designed Song He Yuan precinct.

Extensively landscaped, a key feature will be a large central bell, symbolising longevity.

This new precinct will also feature an abundance of flowing water elements, as water is associated with wealth and prosperity according to Feng Shui principles.

We expect that this development will be completed over a three year period, with the first stage expected to be completed during FY19.

The considered development of this unique area will provide the community with a range of service offerings and generate ongoing revenue opportunities.

Hospitality Service Offering

Recognising that we operate in the experience economy, SMCT continues to enhance the overall customer experience through our hospitality offering. With the strong growth in demand, SMCT will continue to invest in further developing these facilities. This revenue stream will proactively support SMCT's financial sustainability in the long term.

Land Acquisition

Within our current portfolio of nine cemeteries and memorial parks, six locations have reached, or are nearing capacity. Therefore, SMCT is proactively exploring land acquisition opportunities to ensure that memorial parks can be developed to meet the needs of the Victorian community into the future.

Embracing Digital Transformation

Following the development of our Digital Strategy and road map in FY17, we have made significant progress during the reporting period and will further improve our digital experience through the development of a new website.

During the year, the Honouring Life blog, has been optimised to increase SMCT’s online presence and reach. We also continued to expand reach and awareness of the SMCT brand through social media platforms. Integrated campaigns consisting of digital and traditional marketing contributed to the increase in customer reach and related opportunities.

SMCT will continue to deliver customer centric digital solutions to ensure we remain responsive and relevant to our customers and stakeholders.

Information Technology Portfolio

SMCT remains committed to the investment and continual improvement of Information Technology (IT) services and solutions that are fit-for-purpose for both employees and external stakeholders.

During FY18, we focused on strengthening the foundation for a capable and secure network on which to build improvements to our customer-facing web capability, internal business processes and supporting systems.

Improvements to audio visual, cyber security, network performance, backup and recovery have been our core focus. These have included:

- Chapel recording and linking upgrades.
- Storage area network upgrade.
- Backup & Recovery System upgrade.
- Cyber Security Vulnerability Management Platform implementation.
- Wide Area Network link upgrades.

| Details of ICT expenditure | | | |
|----------------------------|---------------------|-------------------------|---------------------|
| BAU ICT expenditure | BAU ICT expenditure | Operational expenditure | Capital expenditure |
| | Total = A+ B | A | B |
| Total | \$4,028,131 | \$2,952,753 | \$1,075,378 |

IT Risk Management and Compliance

To ensure the availability of IT services and the security of the organisation's IT assets and data, SMCT completed an update of our Disaster Recovery (DR) plan based on the new backup and recovery tools and capabilities. Based on previous testing, we are confident that current contingencies are operating effectively to deal with any significant data or system loss. In addition, we continue our strategy of executing annual penetration tests and addressing identified risks.



FY18 Financial Performance

SMCT is committed to our financial performance objectives, ensuring adequate funds are available to meet our community perpetual maintenance obligations. The strong operating result surplus ensures that the organisation has the ability to fund future projects that will continue to sustain revenue generation.

SMCT continues to embrace customer centricity, the outcome of which is seen in revenue growth, positive Net Promoter Score results and the diversification of revenue streams.

Our FY18 efforts focused on building stock for the future to support our pre-need revenue growth, as well as the enhancement of SMCT's hospitality operation. Hospitality revenue had a strong year with the increased utilisation of Café Vita et flores and function facilities, as we continued to enhance the service experience created for the community.

Financial Report

The financial report (pp 51 to 106) covers the 12-month reporting period from 1 July 2017 to 30 June 2018, with the prior year's comparatives covering the 12-month period from 1 July 2016 to 30 June 2017.

Financial Performance

For the financial period ending 30 June 2018, SMCT produced a positive operating result of \$22.2m. Such a result was achieved from cemetery operations revenue of \$63.1m, investment income of \$14.6m and after the impact of the 3% cemetery levy of \$2.3m payable to the Victorian Government.

During the reporting period, SMCT investments have increased by \$19.9m to \$269.8m, after experiencing 12 months of solid growth, amid financial market volatility. This investment underpins our perpetual maintenance obligations.

Gross Operating margin for the period was \$53.7m (after cost of sales) with major revenue streams being:

- Sales of graves contributing \$22.1m or 35% of total revenue driven by sales in community areas such as the newly-built Lotus Garden and Song He Yuan at SBC.
- Sales of mausoleum crypts contributing \$8.9m or 14.2% of total income, highlighted by sales from the recently released Saint Michael the Archangel Mausoleum at MGC.
- Cremation revenue contributing \$7.3m or 11.6% of total income, with SMCT performing 50% of Victoria's cremations during the reporting period.
- Hospitality income continues to grow, generating an additional \$0.4m or 12% over the prior year.
- The continued focus on the sale of pre-need services has resulted in unearned income increasing by \$3.3m (8.6%) to \$40.9m.

Operating expenses (excluding cemetery levy and investment management fees) amounted to \$42.5m, of which 55% relate to personnel costs.

- During the financial year, the expenditure on capital works and projects amounted to \$18.7m. Major capital works during the year included the building of Saint Michael the Archangel Mausoleum at MGC and preliminary works on the next stage of Song He Yuan at SBC. Further information about these capital works projects is provided throughout this report.

SUMMARY OF FINANCIAL RESULTS FOR THE PAST FOUR FINANCIAL PERIODS (\$'000)

| | FY18 | FY17 | FY16 | FY15 | FY14 |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Operating Statement | | | | | |
| Income from Transactions | \$63,095 | \$63,000 | \$54,445 | \$59,507 | \$51,352 |
| Cost of Goods Sold | (\$9,364) | (\$10,304) | (\$7,888) | (\$9,429) | (\$6,174) |
| Investment Income | \$14,624 | \$14,800 | \$11,840 | \$12,951 | \$13,323 |
| Expenses from Transactions | (\$43,795) | (\$39,897) | (\$38,170) | (\$33,978) | (\$31,997) |
| Cemetery Levy | (\$2,312) | (\$2,185) | (\$1,979) | (\$2,156) | (\$1,932) |
| Operating Result | \$22,248 | \$25,414 | \$18,248 | \$26,895 | \$24,572 |
| Other Comprehensive Income/(Loss)* | \$7,941 | \$46,062 | (\$4,427) | \$23,088 | \$18,678 |
| Comprehensive Result for the Period | \$30,189 | \$71,476 | \$13,821 | \$49,983 | \$43,250 |
| Balance Sheet | | | | | |
| Assets | | | | | |
| Investments/Investment Property | \$269,783 | \$249,840 | \$213,021 | \$210,462 | \$202,251 |
| All Other Assets | \$220,857 | \$204,091 | \$167,072 | \$150,877 | \$128,706 |
| Total Assets | \$490,640 | \$453,931 | \$380,093 | \$361,339 | \$330,957 |
| Liabilities | | | | | |
| Unearned Income | \$40,871 | \$37,610 | \$33,950 | \$30,524 | \$26,870 |
| All other Liabilities | \$10,933 | \$9,270 | \$10,566 | \$9,060 | \$8,897 |
| Total Liabilities | \$51,804 | \$46,880 | \$44,516 | \$39,584 | \$35,767 |
| Net Assets | \$438,836 | \$407,051 | \$335,576 | \$321,755 | \$295,190 |
| Equity | | | | | |
| Perpetual Maintenance Reserves | \$310,908 | \$285,907 | \$259,161 | \$237,288 | \$195,801 |
| Other Equity | \$127,928 | \$121,144 | \$76,415 | \$84,467 | \$99,389 |
| Total Equity | \$438,836 | \$407,051 | \$335,576 | \$321,755 | \$295,190 |

*Other Comprehensive Income/(Loss) includes market value gains on available for sale financial investments (FY18 and FY17). FY17 also includes net fair value gain on revaluation on non-financial assets. FY16 comprises market value losses on available for sale financial investments.

Financial Performance Objectives

SMCT's total operating result of \$22.2m was \$8.3m higher than budget. This comprised an over-performance from cemetery operations revenue of \$1.3m and net investment income over-performance of \$6.8m.

Grave sales across all locations outperformed their budget, contributing significantly to the result. Hospitality revenue continues to be the fastest growing revenue stream, contributing over \$5m and accounting for 8% of total cemetery operations revenue. Investment income reflects interest (\$0.2m), franking credits (\$1.2m) and the distributions received from SMCT's investment portfolio (\$13.2m).

COMPARISON OF ACTUAL VS. BUDGET FOR THE 12-MONTH PERIOD ENDING 30 JUNE 2018 (\$000)

| | Actual | Budget | Variance |
|---------------------------------------|------------|------------|----------|
| Cemetery Operations Revenue | \$63,095 | \$61,822 | \$1,273 |
| Cost of Goods Sold | (\$9,364) | (\$9,334) | (\$30) |
| Investment Income | \$14,624 | \$7,800 | \$6,824 |
| Total Revenue | \$68,355 | \$60,288 | \$8,067 |
| Operating Expenses | (\$43,795) | (\$44,252) | \$457 |
| Operating Result before Cemetery Levy | \$24,560 | \$16,036 | \$8,524 |
| Cemetery Levy | (\$2,312) | (\$2,088) | (\$224) |
| Operating Result | \$22,248 | \$13,948 | \$8,300 |

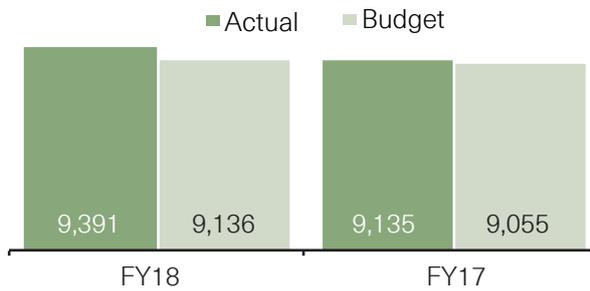
OPERATIONAL PERFORMANCE

| | FY18 Actual | FY18 Budget | FY18 Variance | FY17 Actual | FY17 Budget | FY17 Variance |
|-------------------------------|-------------|-------------|---------------|-------------|-------------|---------------|
| Cremations | 9,391 | 9,136 | 255 | 9,135 | 9,055 | 80 |
| Interments | 4,267 | 4,330 | (63) | 4,322 | 4,058 | 264 |
| Cremation Memorial Sales (\$) | 5.55m | 5.57m | (0.02m) | 5.21m | 5.40m | (0.19m) |
| Mausoleum Crypt Sales (\$) | 8.98m | 11.26m | (2.28m) | 11.23m | 13.23m | (2.00m) |
| Grave Sales (\$) | 22.10m | 19.98m | 2.12m | 21.63m | 18.99m | 2.64m |
| Hospitality Sales (\$) | 5.04m | 4.60m | 0.44m | 4.52m | 4.31m | 0.21m |

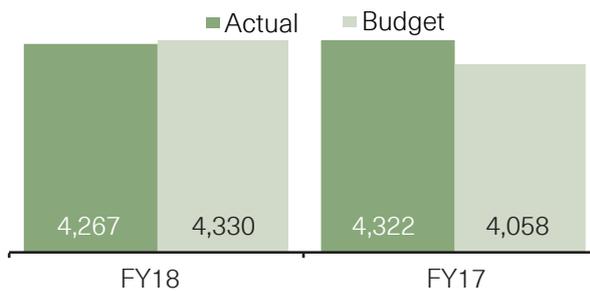


Café Vita et flores at Springvale Botanical Cemetery

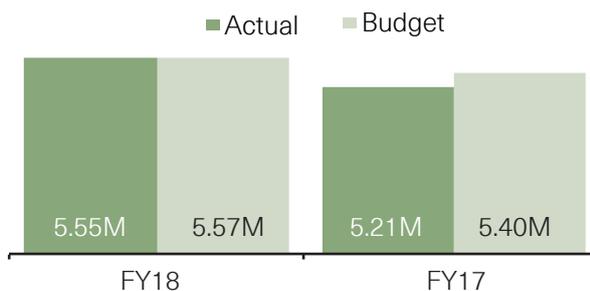
Key trends and issues that influenced operational performance can be summarised as follows:



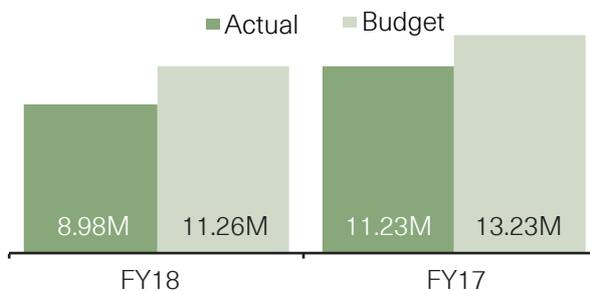
Cremations – Volume of cremations performed were 255 (2.8%) above the budgeted volumes. This is in-line with the increased number of cremations across Victoria.



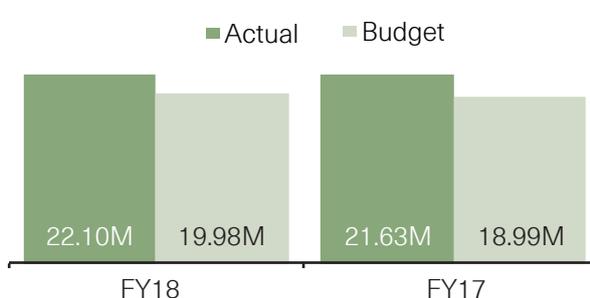
Interments – Volume of interments were 1.5% less than budgeted due to the overall reduction in burials across the Victorian sector, however revenue target exceeded by 1.4%.



Cremation Memorial Sales – Cremation Memorial sales were 6.5% higher than the prior year, however slightly below the FY18 budget (0.3%).

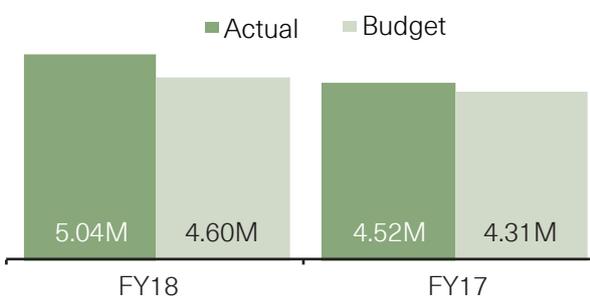


Mausoleum Crypt Sales – Slightly lower volumes coupled with product mix variances led to the FY18 result being 20.2% below budget. However, mausoleum crypt sales contributed a significant \$8.98m to operating revenue (14.2%).



Grave Sales – Grave sales were 10.6% above budget primarily due to:

- Bulk sales at Dandenong Community Cemetery.
- Sales of Song He Yuan and the newly-developed Lotus Garden at Springvale Botanical Cemetery
- Significant sales to community groups at Bunurong Memorial Park.



Hospitality Sales – Hospitality sales were 9.5% above budget driven by growing number of functions and florist sales.

Subsequent Events

The Trust has become aware of adverse soil conditions at one of our operating sites which impacts the suitability of the specific area. The area is presently being remediated and the costs remain unquantifiable at this time.

Consultants

In FY18, there were six consultancies where the total fees payable to the consultancies were \$10,000 or greater. The total expenditure incurred during FY18 in relation to these consultancies was \$0.19m (excl. GST).

| Consultant | Purpose of Consultancy | Start Date | End Date | Total approved project fee | Expenditure 2017-2018 | Future expenditure |
|---------------------------|--|------------|------------|----------------------------|-----------------------|--------------------|
| IpSec Pty Ltd | Review and testing of IT services | 1/06/2018 | 21/06/2018 | \$14,700 | \$14,700 | \$ - |
| Mendis Hanna & Associates | Security survey | 19/02/2018 | 19/03/2018 | \$11,080 | \$11,080 | \$ - |
| Thomas Duryea Logicalis | Citrix support and review | 11/01/2018 | 23/04/2018 | \$36,844 | \$36,844 | \$ - |
| Todd Davies & Associates | Records Management Strategy | 31/08/2017 | 2/01/2018 | \$21,600 | \$21,600 | \$ - |
| Zenith Surveys | Underground electrical and gas surveys | 8/06/2018 | 26/06/2018 | \$89,590 | \$89,590 | \$ - |
| CETEC Pty Ltd | Asbestos Audit review | 30/10/2017 | 22/06/2018 | \$22,007 | \$22,007 | \$ - |

In FY18 there was one consultancy where the total fees payable were less than \$10,000 (excl. GST). The total amounted to \$2,727.

Looking Forward

Aligned with our new Strategic Plan 2019-2023, we will continue to invest in growth opportunities. Key priorities to be addressed during FY19 include:

- Construction of stage three of the Saint Padre Pio Mausoleum at SBC.
- Significant investment in capital works and stock projects to meet community demand and capture future revenue opportunities.
- Further activation of our digital strategy to grow our on-line presence and increase customer touch points.
- Expansion of land acquisition initiatives for future memorial park development that will underpin our long term sustainability.



Florist at Springvale Botanical Cemetery



Strategic Priority **THREE**

Enhancing Stakeholder Engagement

Our duty is to listen and respond to the needs of our customers, our communities and all stakeholders.

Southern Metropolitan Cemeteries Trust (SMCT) has a genuine commitment to active engagement with all stakeholders. Creating meaningful engagement is central to our purpose.

We continue to forge deep relationships across both the community and industry, which enables us to continue to be relevant in our service offering.

Engaging with over 230 different cultural groups, we have developed robust stakeholder engagement frameworks, and continue to grow the depth and breadth of our engagement with the diverse communities in Victoria.

KEY OUTCOMES:

- Designed engaging conversation workshops to create awareness and empower the community.
 - Established a strategic partnership to research changing values and funeral practices of contemporary Australia.
 - In partnership with Arts House Melbourne, developed an award-nominated digital experience that connects SMCT with younger audiences.
 - Adopted Social Impact Methods to assess our engagement impacts on the community.
-

During the year, SMCT adopted measures to understand the impact of our engagement on the community through quantitative and qualitative surveys. Key highlights included:

89%

agree they feel more comfortable talking about their plans on how they want to be remembered

95%

agree they feel better equipped to deal with grief

91%

agree that cemeteries are community spaces

Demystifying Cemeteries Through Community Tours and Workshops

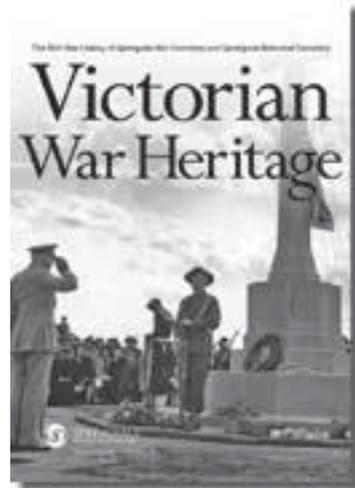
During the year we expanded our service offering to include workshops and conversation forums, designed to both demystify cemeteries and increase community awareness.

We celebrated the contribution that women have made to Victoria's history, with the first Women's Tour of Melbourne General Cemetery (MGC), featuring the graves of notable women from all walks of life.

Conducted on International Women's Day this attracted attention amongst professional and social women's groups.

Our partnership with Art House Melbourne led to the creation of an immersive app called 'Vanitas'. This attracted a new audience to MGC, largely Millennials. The experience was part storytelling and part reflection on one's own mortality within the historic and iconic MGC. The app was nominated for a Webby award for its innovation, the only Australian nomination in its class for experimental art. In FY19, we will be partnering again with Vanitas to showcase both MGC and SBC.

War History Booklet



Victorian War Heritage Publication

Due to SMCT's rich history, the Veterans Council of the Department of Premier and Cabinet entrusted SMCT to publish a booklet celebrating the stories of war veterans. Authored by our historian, Dr Celestina Sagazio, the publication, 'Victorian War Heritage', promoted the rich heritage of SBC and Springvale War Cemetery. This publication has been a valuable resource during our ANZAC Day heritage tours.



War veterans visit Springvale Botanical Cemetery on ANZAC Day

Engagement and Consultation Across Diverse Communities

In order to deepen our understanding of cultural, religious and community needs, SMCT continued to engage with diverse community groups throughout FY18. This led to the development of several community centered initiatives. Some of these programs included:

- Rose pruning demonstrations.
- Historical war veteran tours.
- Cultural tours.



Rose pruning sessions at Springvale Botanical Cemetery

Natural burial and cremation offering for Bunurong Memorial Park

Increasing community awareness in environmental sustainability has resulted in greater demand for environmentally conscious options for burial and cremation. In response to this identified need, we engaged in extensive customer and community consultation to ascertain our community's vision and expectation for a natural burial offering.



Artist's impression of the Natural Burial area in 30 years

Engaging With Our Stakeholders

SMCT continues to maintain timely and open engagement and communication with all stakeholders through multiple channels.

We continue to engage and contribute at industry forums and special events. Stakeholders often seek our advice and support, ranging from state level Class B cemetery trusts to nationally and internationally significant cemeteries. Cemetery personnel have also visited our sites from Hong Kong, the Philippines and East Timor.

We hosted the annual Cemeteries & Crematoria Association of NSW (CCANSW) Conference in November 2017 at SBC and BMP.

"SMCT's dedication to excellence was recognised on the global stage and it is that focus and endeavour that has set SBC, BMP and SMCT at the forefront of this industry in Australia." CCANSW.

Research Partnership

In October 2017, SMCT established a three-way research partnership with Monash University and the Department of Health and Human Services. This research will aim to understand the changing preferences and funeral practices of the Baby Boomers, in contemporary Australia. Insights gathered from this research will further inform SMCT in how we continue to serve the community.

The Historical Restoration and Refurbishment Fund

SMCT balances innovation and sustainability with our significant role as custodians of history.

Our Historical Restoration and Refurbishment Fund enables SMCT to allocate non-core cemetery funds, such as revenue received from tours, public donations and special projects towards the restoration of historically and culturally significant monuments.

Progress has been made on the staged restoration of the highly significant Sir Charles Hotham monument at MGC. Work by heritage and engineering professionals identified a solution to stabilise the base of the monument so that the dismantled column can be restored.

Looking Forward

SMCT will continue to develop and strengthen relationships with government, industry and community that will underpin the success of our service offering and ongoing sustainability. During the year ahead, we will nurture relationships that create mutual value and enhance services to the Victorian community.

In the forthcoming year we will commence staged construction of the restoration of the Sir Charles Hotham monument at MGC. The restoration of this significant national monument is a clear demonstration of our commitment to preserve our historically significant locations.



Sir Charles Hotham Monument, circa 1864



Strategic Priority **FOUR**

Investing in People Development

Our continued investment in developing our people, supported by a focus on wellbeing, has delivered high levels of engagement and performance during the year.

Southern Metropolitan Cemeteries Trust (SMCT)'s strong commitment to developing our people and fostering a culture of continuous improvement, has resulted in successful delivery of the strategic objectives for the year in review.

KEY OUTCOMES:

- Employee Engagement Results
 - Activate Health Awards
 - Embedding the Enterprise Leadership Program
 - Improved Organisational Safety Outcomes
-

"The culture and pride is displayed constantly by all employees across the organisation. Being a purposed organisation that actually makes a difference - the words and actions are aligned and knowing that I am having a positive impact on the Victorian Community."

Employee comment from 'I can make a difference' survey 2018

SMCT measures employee engagement through the annual 'I can make a difference' survey.

Key highlights of the 2018 survey are:

84%
overall employee
engagement score

89%
of employees are
proud of the role our
organisation plays in
the community

95%
of employees who took
part in our annual survey
are, 'committed to the
success of SMCT'

96%
of employees understand
how their work contributes
to the success of SMCT

95%
of employees noted they
are prepared to 'go the
extra mile' in their role

86%
of employees feel proud
to work for SMCT

A Highly Engaged Workforce

Measuring employee engagement gives us valuable insights into the quality of our workplace and culture and helps us better understand how we can continue to create a positive work environment for our people.

We had an 84% participation rate in our annual 'I can make a difference' survey and achieved an overall employee engagement score of 84%. This places SMCT above national benchmark scores.

The engagement survey also identified that our employees are feeling motivated by having a clearly defined organisational vision and strategy. We are proud of our FY18 employee engagement results and hope to continue to provide a workplace and culture that attracts, motivates, grows and retains the best people.



SMCT staff at our annual Pride Awards 2018

Empowering Our People Through Wellbeing

ACTIVATE HEALTH



Recognising the importance of health and wellbeing for our people, SMCT investigated how we could make a positive and lasting impact on our employees' lives through a focus on wellbeing. As a result, our employee wellbeing program, Activate Health, was launched in May 2016, and has continued to be strongly attended and embraced by our employees in FY18.

Activate Health has resulted in positive employee feedback regarding changes to lifestyle, health and fitness, together with more energy, productivity and balance in the workplace.

FY18 program highlights included:

- Team workshops focused on optimal team performance including; 'The Art of Communication', 'High Performing Teams' and 'Performance Matters'.
- Monthly information sessions focused on mind, body and nutrition.
- Family Wellbeing Dinner, for 80 employees and their families.
- Introduction of an Early Intervention Program, incorporating an onsite osteopath.

Outcomes

- In the annual 'I can make a difference' engagement survey, 80% of employees noted that SMCT cares about their health, safety and wellbeing. This represents 24 points above national benchmark scores.
- Activate Health was selected as a finalist in the 2017 National Safety Council of Australia (NSCA) National Safety Awards of Excellence – for Best Health and Wellbeing Program, and the Institute of Public Administration (IPPA) Awards 2017 – for the Leading the Way in Health, Safety and Wellbeing Award.



The Importance of Great Leadership in Driving High Performance

Recognising that effective leadership is key to building a positive culture and strong employee engagement, we launched our Leadership Capability Framework during FY18. This framework defines the responsibilities and competencies required to be a successful leader at SMCT.

To support the activation of the framework, all SMCT leaders participated in cross-functional, interactive workshops and were provided with tools to support the embedding of their learnings.

For nine newly-appointed leaders, participation in our 'Leading Effective Teams' and individual coaching programs provided them with new and inspiring learning experiences, designed to equip them to meet team leadership challenges.

SMCT's leadership and planning was measured through our engagement survey, which in FY18 found 84% of our people believed SMCT had a clearly defined vision and strategic plan.

Talent and Succession Focus

A key objective of the SMCT Enterprise Leadership Program (ELP), launched in 2017, is the development of high performing senior leaders to enable the Executive Leadership Team to delegate and share leadership accountability.

A valuable feature of the ELP has been a 360° feedback program, which provides leaders with the opportunity to gain awareness of their own leadership style by considering feedback from peers and direct reports, with tailored coaching for future development.

The continued effective delivery of the ELP in FY18 has included a strong focus on team and enterprise leadership. The program has enabled SMCT to identify future senior leaders and enabled lateral movements.

Targeted Training and Development

At SMCT we aim to ensure that our people continue to be challenged and fulfilled and recognise that our investment in their training and development leads to better organisational outcomes.

In line with our strategic priorities, there was significant investment in safety, compliance, technical training and the further development of our people's capabilities and skills, including:

- The delivery of three full-day 'Welcome to SMCT' corporate induction workshops.
- The delivery of three-hour 'Respectful Relationships at Work' workshops to all SMCT employees and leaders.
- Fifteen employees were trained in ICAM investigation methodology, to support the implementation of SMCT's Major Incident Investigation team.
- Six employees were accredited in Change Management methodology, to support and underpin the success of change initiatives across the organisation.

| Training Category | Total no. of training hours |
|--------------------------------|-----------------------------|
| Corporate Induction | 548 |
| In-role/Technical | 1343 |
| Leadership | 1328 |
| HSW/Licence, Risk & Compliance | 2398 |

Employee Recognition

The annual PRIDE Awards once again provided SMCT employees with the opportunity to recognise the achievements of their colleagues.

The 'PRIDE' Awards acknowledge excellence aligned to our organisational values of Passion, Respect, Integrity, Dedication and Empathy.

The 'Live Well, Work Well' Awards acknowledge excellence in the areas of health, safety and wellbeing.

The award winners from each of these categories are featured on the following page, together with the winners of the Chairman's award and inaugural CEO's award.



Trust members and the Executive Leadership Team with winners of the PRIDE awards 2018

The Winners of the PRIDE Awards 2018



The **PASSION Award**
– Jay Snelgrove,
Grave Digger



The **RESPECT Award**
– Shirley Gardiner,
Front-of-House
Supervisor



The **INTEGRITY Award**
– Kristy Siega, People &
Capability Manager



The **DEDICATION Award** – Emily Young,
Accountant



The **EMPATHY Award**
– Brooke Dalforno,
Certified Gardener



The **LIVE WELL WORK WELL (HSW) AWARD**
– Christine Exton,
Senior Monumental
Inspector



The **CEO's AWARD**
– Jasmine Brammer,
Marketing &
Communications
Specialist



The **CHAIRMAN'S AWARD** – Adam
Jacobson, Funeral
Supervisor

A Diverse and Inclusive Culture

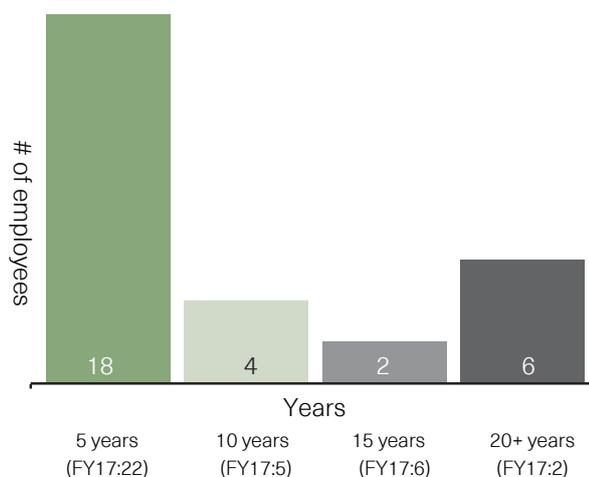
At SMCT we focus on creating a workplace that cultivates diverse views and an inclusive mindset. We believe this will ultimately drive better organisational decisions, increased innovation and a more engaged workforce.

At 30 June 2018, 50% of Trust members and 71% of the Executive Leadership Team were female, and females represented 40% of senior management, up from 31% last year. Overall, 47% of our workforce is female.

We have also focused on hiring people with diverse experience. In FY18, our workforce spanned three generations, with employees ranging in age from 19 to 71 years and tenure ranging from 1 to 35 years.

SMCT's multi-generational and tenured workforce has provided learning opportunities through mentoring and coaching. Approaching workplace challenges from multiple perspectives has improved collaboration and increased creativity.

Service Milestones reached between July 2017 – June 2018



Age Distribution (headcount, not FTE equivalent)

| Age | FY18 | FY17 |
|-------------------------|------|------|
| Under 25 | 21 | 19 |
| 25-34 | 62 | 66 |
| 35-44 | 70 | 68 |
| 45-54 | 91 | 90 |
| 55-64 | 48 | 46 |
| 65 and Over | 1 | 2 |
| Total (excl. vacancies) | 293 | 291 |

Flexible Working Arrangements (headcount, not FTE equivalent)

| Working Arrangement | FY18 | FY17 |
|-------------------------|------|------|
| Full Time | 232 | 234 |
| Part Time | 35 | 28 |
| Casual | 26 | 29 |
| Total (excl. vacancies) | 293 | 291 |

Gender Distribution (headcount, not FTE equivalent)

| Gender | FY18 | FY17 |
|-------------------------|------|------|
| Male | 153 | 158 |
| Female | 140 | 133 |
| Self described | 0 | 0 |
| Total (excl. vacancies) | 293 | 291 |

Terms of Employment (FTE)

| Terms of Employment | FY18 | FY17 |
|--|-------|-------|
| Award (Hospitality) | 15.2 | 23 |
| Contract | 98.0 | 102.7 |
| The Southern Metropolitan Cemeteries Trust Outdoor Enterprise Agreement 2017 | 94.6 | 97.6 |
| The Southern Metropolitan Cemeteries Trust Indoor Enterprise Agreement 2015 – 2019 | 57.0 | 59.6 |
| Total (excl. vacancies) | 264.8 | 282.9 |

Prioritising Health, Safety & Wellbeing

SMCT prioritises the health and safety of both our employees and contractors and, during the reporting period, strengthened our safety practices, behaviours and culture across our organisation.

HSW highlights during the year include:

- The introduction of a best-practice approach for the management of contractors, including the introduction of an electronic contractor and visitor sign-in procedure across all SMCT locations.
- The design, development and delivery of a quarterly safety leadership Induction Program for new employees and leaders to ensure we continue to build capability and embed safety leadership across the organisation.
- The delivery of phase two of our Safety Walks and Talks (SWAT) Coaching Program to further embed safety leadership, enhance employee engagement and communication.
- The design, build and implementation of a HSW metrics dashboard to provide broader access to real time safety lead indicators.

Our initiatives aim to build a high performing and proactive safety leadership culture, where sharing insights and learnings are the norm and data supports sound decisions on corrective actions and controls.

As we continue to reduce health and safety risk in our operations, look for learnings from incidents, ensure early intervention in our management of injuries and focus on cross-functional work and collaboration, we aim to improve our safety performance and safety leadership culture even further.

| HSW – Worksafe Performance Indicators | July 2017 to June 2018 |
|--|---|
| SMCT WorkSafe Insurance Premium Rate | 1.50% |
| SMCT Performance Rating | 0.53 |
| WorkSafe weighted Industry Rating | 2.8% |
| SMCT Performance Rating (compared with Industry average) | 47.05% better than the industry average |

| OHS | FY18 | FY17 | FY16 |
|---|--|---|--|
| a) The number of reported hazards/incidents for the year per 100 full-time equivalent staff members | Total Incidents: 701* Staff No: 293 Per 100 staff: 239 | Total Incidents: 299 Staff No: 291 Per 100 staff: 103 | Total Incidents: 84 Staff No: 293 Per 100 staff: 28.66 |
| b) The number of 'lost time' standard claims for the year per 100 full-time equivalent staff members | Total claims: 5 1.71 | Total claims: 8 2.75 | Total claims: 29 9.90 |
| c) The average cost per claim for the year (including payments to date and an estimate of outstanding claim costs as advised by WorkSafe) | \$34,012 | \$19,424 | \$32,945 |

*A focus on strengthening our safety behaviours and practices has led to the positive development of increased reporting of near misses.

| Occupational violence statistics | FY18 |
|---|------|
| Workcover accepted claims with an occupational violence cause per 100 FTE | 0 |
| Number of accepted Workcover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked. | 0 |
| Number of occupational violence incidents reported | 3 |
| Number of occupational violence incidents reported per 100 FTE | 1.13 |
| Percentage of occupational violence incidents resulting in a staff injury, illness or condition | 0 |



SMCT Arbor Team hosting the WorkSafe Victoria Inspectors team to demonstrate best practice in aerial tree rescue in December 2017.

Looking Forward

In FY19, SMCT will continue to embed a range of initiatives to support a culture that values performance, innovation, flexibility and wellbeing, including:

- Continuing to lead the way in employee wellbeing, with a focus on resilience in our Activate Health program.
- Continuing to build the right capabilities and drive critical cultural shifts in our workforce as we further embed Safety Leadership, through improved visibility of HSW metrics.
- Ensuring that high performing employees continue to be challenged and motivated in their roles and support succession planning by investing in leadership development through our Enterprise Leadership Program.
- Focusing on driving greater visibility and accountability throughout SMCT via our change initiatives, while continuing to be guided by our PRIDE values.

Continuing to attract, retain and develop the right talent and capabilities while building the right culture, will enable us to achieve our strategic priorities and ultimately ensure organisational sustainability.

Our performance-based culture seeks to continue to deliver an increasingly responsive and personalised service to the Victorian community.



Spotlight on Sustainability

Southern Metropolitan Cemeteries Trust (SMCT) is committed to ensuring that all activities undertaken by the Trust are managed in a socially and environmentally responsible manner for the long-term benefit of the communities we serve.

SMCT keeps environmental sustainability in the forefront of our operations and decision making. We monitor our performance and continuously look for opportunities to reduce our carbon footprint.

We continue to build an organisational culture, which operates in a manner that is both socially and environmentally sensitive and responsible.

Carbon Emissions Report

SMCT has reported on total carbon emissions to the Department of Health and Human Services (DHHS) and the Environmental Protection Authority (EPA) since FY11.

The total CO₂ figure is calculated from data collected throughout the year. This data provides a benchmark and basis for measuring the long-term success of SMCT's sustainability strategies and action plans.

Total emissions increased in FY18 by 96 tonnes of CO₂ (1.5% compared to the previous year), primarily due to increased use of purchased electricity and consumption of concrete in the preparation of burial stock.

As indicated in the FY17 Annual Report, SMCT's environmental impact is holding close to the previous year, however fluctuates according to annual construction activity or increases in service offerings.

FY19 will also see a significant capital development program and increases are to be expected in construction activity emissions.

SMCT Carbon Footprint Annual Data

| Year | Total Emissions (tonnes CO ₂ equivalent) | Var (%) | Emissions per FTE (tonnes CO ₂ equivalent) | Var (%) | Comments |
|------|---|---------|---|---------|--|
| FY11 | 5420.45 | NA | 24.93 | NA | First year of reporting all sites |
| FY12 | 5673.90 | 4.7% | 26.70 | 7.1% | Increase in construction projects |
| FY13 | 5670.88 | -0.1% | 23.04 | -13.7% | Decrease in construction projects |
| FY14 | 6502.46 | 14.7% | 28.40 | 23.3% | Increase in construction projects |
| FY15 | 7570.52 | 16.4% | 27.04 | -4.8% | Decrease in construction projects |
| FY16 | 9398.07 | 24.1% | 30.91 | 14.3% | Increase in construction projects |
| FY17 | 6458.88 | -31.3% | 27.84 | -9.9% | Decrease in construction activity and solar electricity generation |
| FY18 | 6555.00 | 1.49% | 22.80 | -18% | Stable |

Identifying SMCT's Top Carbon Producers

Construction Materials

Construction activity in FY18 included the significant construction of the Saint Michael the Archangel Mausoleum at Melbourne General Cemetery (MGC), Lotus Garden at Springvale Botanical Cemetery (SBC) and major stock projects in SBC's Blue Gum and Luculia Gardens. In FY17, construction materials accounted for 6% of the total carbon footprint while in FY18, construction material has increased to 10.8% of the total carbon footprint.

Electricity

Purchased electricity has historically been the largest contributor to SMCT's environmental impact. With the construction of SBC's Clarence Reardon Centre and the redevelopment of BMP complete, SMCT has significantly reduced its carbon emissions for purchased electricity, however it still remains the top contributor at 39.1%. SMCT generates approximately 15% of its electricity needs from 1,350 solar panels, which are located on the Clarence Reardon Centre, the SBC Crematorium and at Bunurong Memorial Park.

Natural Gas

The use of natural gas for cremations, general heating, and commercial kitchens accounted for 17.4% of the total carbon footprint. Consumption has remained reasonably steady in FY18 compared to FY17 (+0.6%), with a slight increase attributed to the increase in the number of cremations and increased activity in the commercial kitchens.

Waste to Landfill

Waste management initiatives have reduced the total amount of waste sent to landfill from previous years (113 tonnes) and accounted for 10.8% of the total carbon footprint.

Employee Commuting

Employee commuting data, including transport mode, distance travelled and vehicle capacity is collected from SMCT employees every year. This year's data indicated that employee commuting accounts for 8.1% of the total carbon footprint of all SMCT sites.

Cremations

The process of cremating produces CO₂ through the use of natural gas, as well as the natural emissions generated by the deceased through the cremation process. SMCT conducted 9,391 cremations in FY18, with the total carbon impact being 6.8%. Heavy metals pollution such as mercury is a global concern that SMCT is currently investigating. Cremator pollutant filtering technologies are being developed around the world and we continue to monitor progress with these initiatives.



Honey produced and bottled from bee hives at Springvale Botanical Cemetery



Looking Forward

Southern Metropolitan Cemeteries Trust (SMCT) is committed to building on the strong foundations of positioning memorial parks for the living and stewarding those transitioning through grief.

In line with our new five-year Strategic Plan 2019-2023, SMCT will continue to enhance our customer experience by listening and responding to the changing needs of the Victorian community. Our success is underpinned by both innovation and agility and our focus on ensuring that care, anchored in compassion is at the heart of our service delivery.

As a trusted organisation, SMCT is committed to informing and educating our client families about their choices and by offering transparent information when they are most vulnerable and disorientated. We will continue to demystify cemeteries and to empower the community when making decisions to honour their loved ones.

The concept of 'disposability' and the growing trend of consumers surrendering to the pressure of convenience at a difficult time is clearly evident. However, SMCT is committed to supporting and stewarding the community as they navigate grief.

To this end, we will continue to create awareness and to advocate for the community on the importance of maintaining customs, traditions and rituals as part of their grief journey.

In keeping with our commitment and vision of supporting those navigating their grief journey, SMCT will continue to foster partnerships and invest in facilities that will enhance the experience for our community.

Our **purpose** will continue to underpin our strategic decisions. We will remain agile and resilient in exploring strategic opportunities and risks that will ensure the long-term sustainability of SMCT.

We recognise that people capabilities are pivotal to our success. We will continue to invest in developing their capabilities to ensure operational excellence and successful implementation of strategic initiatives.

Strategic Projects FY19

In meeting our overarching strategic objectives of embracing customer centricity, pursuing strategic growth, enhancing strategic engagement and investing in people development, SMCT will undertake the following projects in FY19:

Embracing Customer Centricity

- Successful construction and commissioning of stage three of the Saint Padre Pio Mausoleum at Springvale Botanical Cemetery (SBC).
- Completion of the second stage of the Song He Yuan extension at SBC.

Pursuing Strategic Growth

- Development of a refreshed three-year ICT strategy and roadmap.
- Investment in infrastructure at Bunurong Memorial Park (BMP) to meet the future demand for current and new community footprints.

Enhancing Strategic Engagement

- Refurbishment of the Centre for Care & Wellbeing to extend the support available to the community as they navigate grief.

Investing in People Development

- Continuing to further embed health and safety in the workplace across the organisation.
- Continuing to embed SMCT's Activate Health employee wellbeing program, with a focus on strengthening the mental health resilience of employees.



SMCT Hospitality team supporting the community in meeting diverse cultural and personal preferences





Financial Statements

Southern Metropolitan Cemeteries Trust

Trust member's, Accountable Officer's and Chief Finance & Accounting Officer's Declaration

The attached financial statements for Southern Metropolitan Cemeteries Trust ("SMCT" or "The Trust") have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994, Australian Charities and Not-For-Profit Commission Act 2012*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2018 and the financial position of The Trust at 30 June 2018.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 2 August 2018.

Sue Renkin
Trust Chairman
Springvale
2 August 2018

Jane Grover
Accountable Officer
Springvale
2 August 2018

Noel Renwick
Chief Finance & Accounting Officer
Springvale
2 August 2018

Independent Auditor's Report

To the Trust of the Southern Metropolitan Cemeteries Trust

| | |
|--|---|
| Opinion | <p>I have audited the financial report of the Southern Metropolitan Cemeteries Trust (the cemetery) which comprises the:</p> <ul style="list-style-type: none"> • comprehensive operating statement for the year ended 30 June 2018 • balance sheet as at 30 June 2018 • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • trust member's, accountable officer's and chief finance & accounting officer's declaration. <p>In my opinion the financial report is in accordance with Part 7 of the <i>Financial Management Act 1994</i> and Division 60 of the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, including:</p> <ul style="list-style-type: none"> • presenting fairly, in all material respects, the financial position of the cemetery as at 30 June 2018 and of its financial performance and its cash flows for the year then ended • complying with Australian Accounting Standards and Division 60 of the <i>Australian Charities and Not-for-profits Commission Regulations 2013</i>. |
| Basis for Opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the cemetery in accordance with the auditor independence requirements of the <i>Australian Charities and Not-for-profits Commission Act 2012</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| Trust's responsibilities for the financial report | <p>The Trust of the cemetery is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the <i>Financial Management Act 1994</i> and the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, and for such internal control as the Trust determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Trust is responsible for assessing the cemetery's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p> |

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the cemetery's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trust
- conclude on the appropriateness of the Trust's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the cemetery's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the cemetery to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Trust regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Trust with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

MELBOURNE
2 August 2018



Ron Mak

as delegate for the Auditor-General of Victoria

Comprehensive Operating Statement for the financial year ended 30 June 2018

| | Note | 2018 \$000 | 2017 \$000 |
|--|------|-----------------|-----------------|
| Income | | | |
| Cemetery operations income | 2.1 | 63,095 | 63,000 |
| Cost of sales | 3.1 | (9,364) | (10,304) |
| | | 53,731 | 52,696 |
| Investment income | 2.1 | 14,624 | 14,800 |
| Total income | | 68,355 | 67,496 |
| Expenses | | | |
| Employee expenses | 3.1 | (23,273) | (22,904) |
| Depreciation and amortisation | 4.4 | (8,696) | (5,643) |
| Maintenance and operating costs | 3.1 | (3,808) | (3,770) |
| Administrative costs | 3.1 | (3,873) | (3,729) |
| Investment management fees | 3.1 | (1,298) | (1,140) |
| Other operating expenses | 3.1 | (2,706) | (2,564) |
| Audit fees: auditor-general | 8.6 | (87) | (85) |
| Audit fees: other | 8.6 | (54) | (62) |
| Cemetery levy | 3.1 | (2,312) | (2,185) |
| Total expenses | | (46,107) | (42,082) |
| Operating result for the year | | 22,248 | 25,414 |
| Other comprehensive income | | | |
| Items that will not be reclassified to net result | | | |
| Net fair value revaluation on non financial assets | 8.1 | 132 | 36,746 |
| Items that may be reclassified subsequently to net result | | | |
| Net fair value gains on available for sale financial investments | 8.1 | 7,809 | 9,316 |
| Total other comprehensive income | | 7,941 | 46,062 |
| Comprehensive result for the year | | 30,189 | 71,476 |

The comprehensive operating statement should be read in conjunction with the accompanying notes.

Balance Sheet as at 30 June 2018

| | Note | 2018 \$000 | 2017 \$000 |
|---|--------|----------------|----------------|
| Current Assets | | | |
| Cash and cash equivalents | 4.1 | 23,734 | 14,018 |
| Receivables | 5.1 | 13,528 | 10,998 |
| Prepayments | | 242 | 174 |
| Inventories | 4.7 | 8,972 | 7,224 |
| Total current assets | | 46,476 | 32,414 |
| Non-current assets | | | |
| Inventories | 4.7 | 16,019 | 9,382 |
| Intangible assets | 4.5 | 325 | 915 |
| Investment properties | 4.6 | 2,950 | 2,710 |
| Property, plant and equipment | 4.3 | 158,037 | 161,380 |
| Investments and other financial assets | 4.2 | 266,833 | 247,130 |
| Total non-current assets | | 444,164 | 421,517 |
| TOTAL ASSETS | | 490,640 | 453,931 |
| Current liabilities | | | |
| Unearned income | 5.3 | 40,871 | 37,610 |
| Payables | 5.2 | 7,081 | 5,455 |
| Provision for employee benefits | 3.2 | 2,717 | 2,708 |
| Provision for onerous contract | 3.2 | 479 | 502 |
| Total current liabilities | | 51,148 | 46,275 |
| Non-current liabilities | | | |
| Provision for employee benefits | 3.2 | 656 | 605 |
| Total non-current liabilities | | 656 | 605 |
| TOTAL LIABILITIES | | 51,804 | 46,880 |
| NET ASSETS | | 438,836 | 407,051 |
| EQUITY | | | |
| Contributed capital | 8.1(a) | 63,060 | 61,464 |
| Accumulated surplus | 8.1(b) | 12,178 | 14,931 |
| Physical asset revaluation surplus | 8.1(c) | 37,792 | 37,660 |
| Available for sale investment revaluation surplus | 8.1(d) | 14,898 | 7,089 |
| Perpetual maintenance reserve | 8.1(e) | 310,908 | 285,907 |
| TOTAL EQUITY | | 438,836 | 407,051 |
| Commitments for expenditure | 6.1 | | |
| Contingent assets and contingent liabilities | 7.2 | | |

The balance sheet should be read in conjunction with the accompanying notes

Statement of changes in equity for the financial year ended 30 June 2018

| | Note | Physical asset revaluation surplus \$000 | Available for sale investment revaluation surplus \$000 | Perpetual maintenance reserve \$000 | Contributed capital \$000 | Accumulated surplus \$000 | Total \$000 |
|--|------|---|--|--|------------------------------|------------------------------|----------------|
| Balance at 1 July 2016 | | 914 | (2,227) | 259,161 | 61,464 | 16,264 | 335,576 |
| Net result for the year | | 0 | 0 | 0 | 0 | 25,414 | 25,414 |
| Other comprehensive income for the year | | 0 | 9,316 | 0 | 0 | 0 | 9,316 |
| Transfer to/(from) accumulated surplus | | 0 | 0 | 26,746 | 0 | (26,746) | 0 |
| Transfer to physical asset revaluation reserve | | 36,746 | 0 | 0 | 0 | 0 | 36,746 |
| Balance at 30 June 2017 | | 37,660 | 7,089 | 285,907 | 61,464 | 14,931 | 407,052 |
| Net result for the year | | 0 | 0 | 0 | 0 | 22,248 | 22,248 |
| Other comprehensive income for the year | | 0 | 7,809 | 0 | 0 | 0 | 7,809 |
| Transfer to/(from) accumulated surplus | | 0 | 0 | 25,001 | 0 | (25,001) | 0 |
| Transfer to physical asset revaluation reserve | | 132 | 0 | 0 | 0 | 0 | 132 |
| Amalgamation of Sorrento Cemetery Trust | | 0 | 0 | 0 | 1,596 | 0 | 1,596 |
| Balance at 30 June 2018 | 8.1 | 37,792 | 14,898 | 310,908 | 63,060 | 12,178 | 438,836 |

The statement of changes in equity should be read in conjunction with the accompanying note

Cash flow statement for the financial year ended 30 June 2018

| | Note | 2018 \$000 | 2017 \$000 |
|---|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Receipts from customers | | 66,608 | 66,717 |
| Goods and services tax received from the ATO | | 3,068 | 2,495 |
| Investment income receipts | | 14,624 | 14,800 |
| Total receipts | | 84,300 | 84,012 |
| Payments | | | |
| Payments to suppliers and employees | | (56,819) | (47,982) |
| Goods and services tax paid to the ATO | | (2,782) | (2,262) |
| Total payments | | (59,601) | (50,244) |
| Net cash flows from / (used in) operating activities | 8.2 | 24,699 | 33,768 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (5,176) | (7,517) |
| Proceeds from sale of assets | | 721 | 120 |
| Payments for investments | | (11,894) | (27,027) |
| Net cash flows from / (used in) investing activities | | (16,349) | (34,424) |
| Cash flows from financing activities | | | |
| Proceeds from amalgamation of Sorrento Cemetery Trust | | 1,366 | 0 |
| Net cash flows from / (used in) financing activities | | 1,366 | 0 |
| Net increase/(decrease) in cash and cash equivalents | | 9,716 | (656) |
| Cash and cash equivalents at the beginning of the financial year | | 14,018 | 14,674 |
| Cash and cash equivalents at the end of the financial year | 4.1 | 23,734 | 14,018 |

The cashflow statement should be read in conjunction with the accompanying note

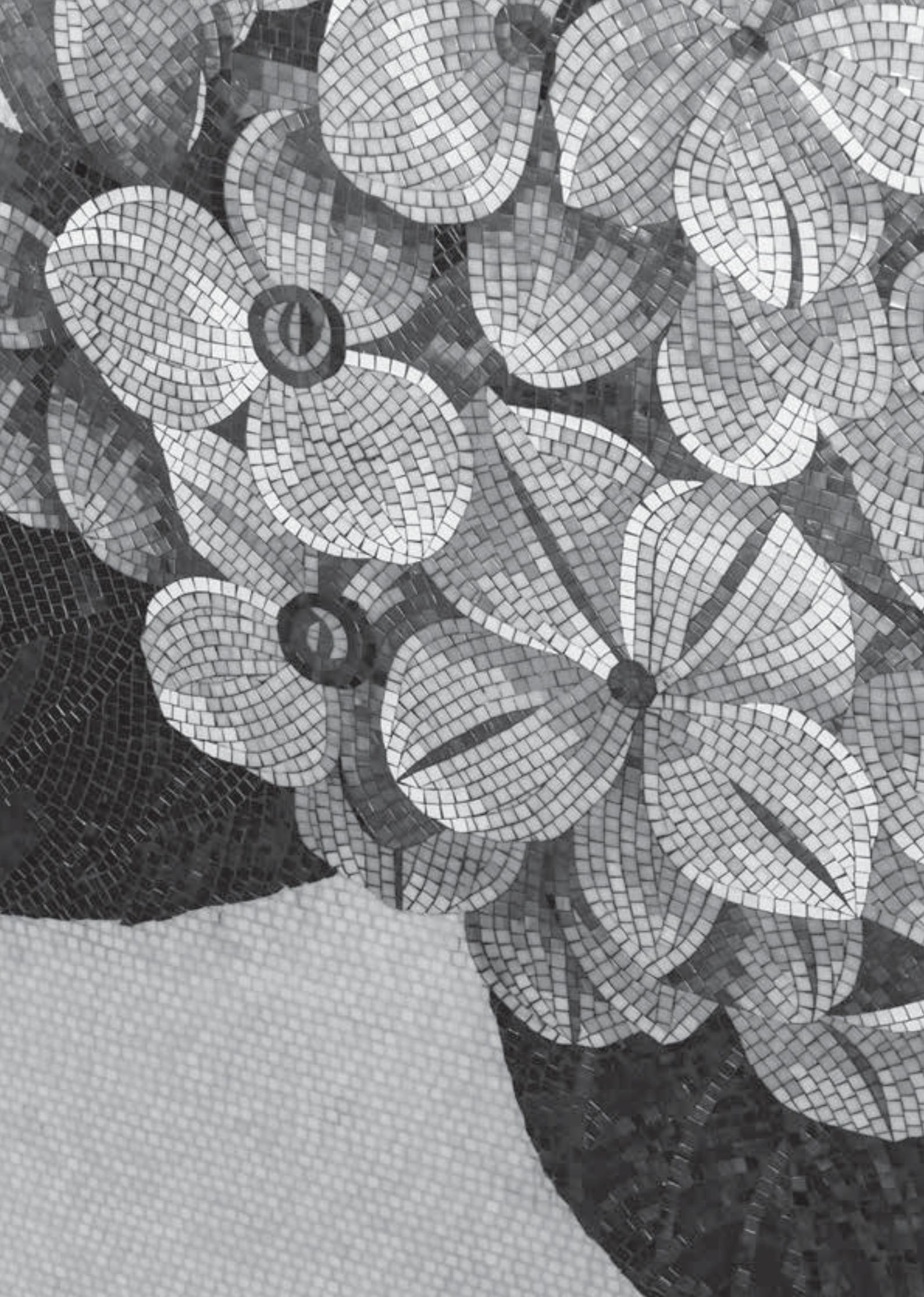


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Basis of Presentation

These financial statements are presented in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

Consistent with the requirements of AASB 1004 *Contributions* (that is contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of SMCT.

Additions of net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Note 1: Summary of Significant Accounting Policies

These annual financial statements represent the audited general purpose financial statements for Southern Metropolitan Cemeteries Trust ("SMCT") for the period ending 30 June 2018. The report provides users with information about SMCT's stewardship of resources entrusted to it.

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994*, *Australian Charities and Not-For-Profit Commission Act 2012*, and applicable AASBs, which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 101 *Presentation of Financial Statements*.

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury & Finance, and relevant Standing Directions (SDs) authorised by the Minister for Finance.

SMCT is a not-for profit entity and therefore applies the additional AAS paragraphs applicable to "not-for-profit" entities under the AASBs.

The annual financial statements were authorised for issue by the Trust Members of SMCT on 2nd August 2018.

Reporting Entity

The financial statements include all the controlled activities of SMCT. SMCT was established under the *Cemeteries and Crematoria Act 2003* and the operations are governed by the same Act

Its principal address is:
Springvale Botanical Cemetery
Princes Highway
Springvale, Victoria 3171.

Financial Statements - Southern Metropolitan Cemeteries Trust

Notes to the Financial Statements for the year ended 30 June 2018

A description of the nature of SMCT's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

The SMCT reporting entity comprises: Brighton General Cemetery, Bunurong Memorial Park, Cheltenham Memorial Park, Cheltenham Pioneer Cemetery, Dandenong Community Cemetery, Melbourne General Cemetery, Springvale Botanical Cemetery, St. Kilda Cemetery and Sorrento Public Cemetery.

Basis of Accounting Preparation and Measurement

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2018, and the comparative information presented in these financial statements for the year ended 30 June 2017.

The going concern basis was used to prepare the financial statements.

These financial statements are presented in Australian dollars, the functional and presentation currency of SMCT.

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting. Under the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items, that is they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The financial statements are prepared in accordance with the historical cost convention, except for:

- non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made and are re-assessed when new indices are published by the Valuer General Victoria ("VGV") to ensure that the carrying amounts do not materially differ from their fair values;
- investment properties after initial recognition, which are measured at fair value with changes reflected in the comprehensive operating statement (fair value through profit or loss); and
- available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised (i.e. other comprehensive income – items that may be reclassified subsequent to net result).
- the fair value of assets other than land is generally based on their depreciated replacement value.

Financial Statements - Southern Metropolitan Cemeteries Trust

Notes to the Financial Statements for the year ended 30 June 2018

Consistent with AASB 13 *Fair Value Measurement*, SMCT determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, investment properties and financial instruments, and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant FRDs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that a cemetery can access at measurement date.
- Level 2 – Are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the assets or liability.

For the purpose of fair value disclosures, SMCT has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, SMCT determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The VGV is SMCT's independent valuation agency.

SMCT, in conjunction with VGV monitors the changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods.

Judgements and assumptions made by management in the application of AASBs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 4.3);
- superannuation expense (refer to Note 3.3); and
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.2).

Judgements, estimates and assumptions are required to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Financial Statements - Southern Metropolitan Cemeteries Trust

Notes to the Financial Statements for the year ended 30 June 2018

The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Amalgamations and Mergers

The Governor in Council under section 8 of the *Cemeteries and Crematoria Act 2003* appointed SMCT to manage the Sorrento Public Cemetery and transfer all of the assets and liabilities, duties and obligations and records and registers of Sorrento Public Cemetery Trust to SMCT. This order came into effect on 12 December 2017.

Scope and Presentation of Financial Statements

Comprehensive Operating Statement

The comprehensive operating statement presents the operating result of SMCT. It presents significant categories of income and expenses included in the operating result to enhance the understanding of the financial performance of SMCT. It also shows other comprehensive income included in the comprehensive result for the year.

Balance Sheet

Primarily assets and liabilities are categorised either as current or non-current (non-current being mainly those assets or liabilities expected to be recovered more than 12 months after reporting period), are disclosed in the notes where relevant.

Statement of Changes in Equity

The statement of changes in equity presents reconciliations of each non-owner and owner changes in equity from the opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income.

Cash Flow Statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

For the cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as current liabilities in the balance sheet.

Rounding

All amounts shown in the financial statements are expressed to the nearest \$1,000 unless otherwise stated. Minor discrepancies in tables between totals and sum of components are due to rounding.

Comparative Information

Where necessary the previous year's figures have been reclassified to facilitate comparisons. There are no changes to this year's comparatives.

Financial Statements - Southern Metropolitan Cemeteries Trust
Notes to the Financial Statements for the year ended 30 June 2018

Goods and Services Tax

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flow.

Note 2: Funding Delivery of Our Services

SMCT receives income from the supply of services to enable it to fulfil its objectives. SMCT may also receive income based on parliamentary appropriations.

Structure

2.1 Analysis of revenue by source

Note 2.1 Analysis of Revenue by Source

| | 2018 | 2017 |
|---|---------------|---------------|
| | \$000 | \$000 |
| 2 (a) Cemetery Operations Income | | |
| Grave income | 22,103 | 21,627 |
| Interment income | 4,956 | 4,812 |
| Mausoleum crypts | 8,977 | 11,235 |
| Cremation | 7,341 | 7,067 |
| Cremation memorial | 5,554 | 5,212 |
| Memorialisation | 4,778 | 4,885 |
| Retail | 5,041 | 4,519 |
| Other operating income | 3,677 | 3,543 |
| Profit on disposal of property, plant and equipment | 668 | 100 |
| Total cemetery operations income | 63,095 | 63,000 |

2 (b) Profit on Disposal of Property, Plant and Equipment

| | | |
|--|------------|------------|
| Proceeds | 721 | 120 |
| Written down value of property, plant and equipment disposed | (53) | (20) |
| Total profit on disposal of property, plant and equipment | 668 | 100 |

Financial Statements - Southern Metropolitan Cemeteries Trust
Notes to the Financial Statements for the year ended 30 June 2018

2 (c) Investment Income

| | 2018 | 2017 |
|---|---------------|---------------|
| | \$000 | \$000 |
| Interest income | | |
| Interest from cash and cash equivalents | 249 | 113 |
| Dividends | | |
| Distributions | 13,171 | 13,434 |
| Other investment income | 1,204 | 1,253 |
| Total investment income | 14,624 | 14,800 |

Income is recognised in accordance with AASB 118 *Revenue* and is recognised to the extent that it is probable that the economic benefits will flow to SMCT and the income can be reliably measured at fair value. Unearned income at reporting date is reported as unearned income, in accordance with the guidance below.

Cemetery Operations income

Fees received for the rights of interment for graves, cremation memorials and mausoleum crypts are recognised as revenue at the time of purchase except for the memorialisation portion which is recognised at the time of interment.

Fees received for interment, cremation and certain memorialisation products such as granite and plaques are recognised as revenue in the period that the goods or services are provided.

Fees received in advance of service provision are recorded as unearned income in accordance with Note 5.3.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

Distributions and Dividend income

Distributions and dividend income is recognised when the right to receive payment is established.

Distributions and dividends represent the income arising from SMCT's investment in financial assets.

Interest Income

Interest income is recognised on a time proportionate basis that takes in account the effective yield of the financial asset and allocates the interest over the relevant period.

Sale of investments

The gain/loss on the sale of investments is recognised when the investment is realised.

Disposal of Non-Financial Assets

Any gain or loss on the sale of non-financial assets is recognised in the operating result at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying amount of the asset at that time.

Note 3: The Cost of Delivering Our Services

This section provides an account of the expenses incurred by SMCT in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Structure

3.1 Analysis of expenses by source

3.2 Provisions

3.3 Superannuation

Note 3.1: Analysis of Expenses by Source

| | | |
|---|---------------|---------------|
| 3 (a) Cost of Sales | 2018 | 2017 |
| | \$000 | \$000 |
| Rights of interment | 5,599 | 6,634 |
| Memorialisation | 1,732 | 1,922 |
| Retail | 1,711 | 1,487 |
| Other | 322 | 261 |
| Total cost of sales | 9,364 | 10,304 |
| 3 (b) Cemetery Levy | | |
| Cemetery levy | 2,312 | 2,185 |
| Total cemetery levy | 2,312 | 2,185 |
| 3 (c) Expenses From Transactions | | |
| Employee expenses | 23,273 | 22,904 |
| Maintenance operating costs | 3,808 | 3,770 |
| Administrative costs | 3,873 | 3,729 |
| Other operating costs | 2,706 | 2,564 |
| Investment management fees | 1,298 | 1,140 |
| Audit fees: auditor-general | 87 | 85 |
| Audit fees: other | 54 | 62 |
| Total expenses from transactions | 35,099 | 34,254 |

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Financial Statements - Southern Metropolitan Cemeteries Trust

Notes to the Financial Statements for the year ended 30 June 2018

Cost of Goods Sold

Costs of goods sold are recognised when the sale of an item occurs by transferring the cost or value of the item/s from inventories.

Employee Expenses

Employee expenses include:

- wages and salaries;
- fringe benefits tax;
- leave entitlements;
- termination payments;
- workcover premiums;
- superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans; and
- the revaluation of the present value of the long service leave (LSL) liability due to the changes in the bond interest rate.

Cemetery Levy

In accordance with Section 18Q of the *Cemeteries and Crematoria Act 2003*, SMCT is required to pay a percentage of its gross earnings, as defined by the Department of Health and Human Services, to the Consolidated Fund held by the State of Victoria. 'Gross Earnings' is currently defined as cemetery operations income and investment income, excluding: donations, government grants, profit or loss on sale of investments and other assets and assets received free of charge. The levy rate for this reporting period is 3% (2017: 3%).

Other Operating Expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and include:

Supplies and Consumables

Supplies and services costs which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

Net Gain/ (loss) on Non-Financial Assets

Net gain/ (loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

- Revaluation gains/ (losses) of non- financial physical assets
- Net gain/ (loss) on disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is the difference between the proceeds and the carrying amount of the asset at the time.

Refer to Note 4.3 Property plant and equipment.

Financial Statements - Southern Metropolitan Cemeteries Trust
Notes to the Financial Statements for the year ended 30 June 2018

Note 3.2: Provisions

| | 2018 \$000 | 2017 \$000 |
|--|---------------|---------------|
| Current provisions | | |
| Employee benefits | | |
| Annual leave | | |
| Annual leave (unconditional and expected to be settled within 12 months) ⁽ⁱⁱ⁾ | 964 | 961 |
| Annual leave (unconditional and expected to be settled after 12 months) ⁽ⁱⁱ⁾ | 156 | 106 |
| Employee termination benefits ⁽ⁱ⁾ | | |
| Long service leave (unconditional and expected to be settled within 12 months) ⁽ⁱⁱ⁾ | 333 | 344 |
| Long service leave (unconditional and expected to be settled after 12 months) ⁽ⁱⁱ⁾ | 864 | 893 |
| Continuity of Service (conditional and expected to be settled within 12 months) | 51 | 63 |
| Rostered days off (unconditional and expected to be settled within 12 months) ⁽ⁱⁱ⁾ | 67 | 60 |
| | 2,435 | 2,427 |
| Provision for On-Costs | | |
| Annual Leave (unconditional and expected to be settled within 12 months) | 116 | 116 |
| Annual Leave (unconditional and expected to be settled after 12 months) | 19 | 12 |
| Long Service Leave (unconditional and expected to be settled within 12 months) | 41 | 42 |
| Long Service Leave (unconditional and expected to be settled after 12 months) | 106 | 110 |
| Continuity of Service (conditional and expected to be settled within 12 months) | 0 | 1 |
| | 282 | 281 |
| Total Current Provisions | 2,717 | 2,708 |
| Non-current Provisions | | |
| Long service leave - (Conditional and expected to be settled after 12 months) ⁽ⁱⁱ⁾ | 584 | 539 |
| On-costs on non-current employee provisions | 72 | 66 |
| Total Non-current | 656 | 605 |
| Total Provision for employee benefits | 3,373 | 3,313 |

Notes:

(i) Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as worker's compensation insurance are not employee benefits and are recognised as a separate provision.

(ii) The amounts disclosed are present values.

Financial Statements - Southern Metropolitan Cemeteries Trust
Notes to the Financial Statements for the year ended 30 June 2018

| (a) Employee Benefits and On-costs ⁽ⁱ⁾ | 2018 | 2017 |
|--|--------------|--------------|
| | \$000 | \$000 |
| Current employee benefits | | |
| Annual leave | 1,120 | 1,067 |
| Long service leave | 1,197 | 1,237 |
| Continuity of Service | 51 | 63 |
| Rostered days off | 67 | 60 |
| Non-current employee benefits | | |
| Long service leave | 584 | 539 |
| Total employee benefits | 3,019 | 2,966 |
| Current on-costs | 282 | 281 |
| Non-current on-costs | 72 | 66 |
| Total on-costs | 354 | 347 |
| Total employee benefits and on-costs | 3,373 | 3,313 |

(i) Employee benefits consist of annual leave and long service leave accrued by employees. On costs such as workers' compensation insurance are not employee benefits and are recognised as a separate provision.

| (b) Movement in Provisions | 2018 | 2017 |
|---|--------------|--------------|
| | \$000 | \$000 |
| Movement in long service leave | | |
| Balance at the start of the period | 1,994 | 2,058 |
| Revaluations | 0 | 59 |
| Expense recognising employee service | 360 | 198 |
| Payments for Long Service Leave | (357) | (322) |
| Balance at the end of the period | 1,997 | 1,994 |
| Movement in annual leave | | |
| Balance at the start of the period | 1,196 | 1,317 |
| Expense recognising employee service | 1,581 | 1,447 |
| Annual leave taken | (1,522) | (1,568) |
| Balance at the end of the period | 1,255 | 1,196 |

| (c) Provision for Loss on Onerous Contracts | 2017 | 2016 |
|--|--------------|--------------|
| | \$000 | \$000 |
| Balance at beginning of period | 502 | 523 |
| Amount taken to operating statement | (23) | (21) |
| Total provision for loss on onerous contracts | 479 | 502 |

Provisions

Provisions are recognised when SMCT has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Employee Benefits

This provision arises for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

Wages and Salaries, Annual Leave, Sick Leave and Accrued Days Off

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave are all recognised in the provision for employee benefits as 'current liabilities', because SMCT does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- Undiscounted value – if SMCT expects to wholly settle within 12 months; or
- Present value – if SMCT does not expect to wholly settle within 12 months.

Long Service Leave (LSL)

Liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where SMCT does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

- Undiscounted value – if SMCT expects to wholly settle within 12 months; and
- Present value – where the entity does not expect to settle a component of this current liability within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss followed revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flow.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee decides to accept an offer of benefits in exchange for the termination of employment.

SMCT recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

On-costs Related to Employee Expense

Provision for on-costs, such as workers compensation and superannuation are recognised together with provisions for employee benefits.

Onerous Contracts (on pre-paid fees)

Provisions are recognised when either a legal or constructive obligation, as a result of a past event, exists at the balance sheet date and where the amount of the obligation can be

reliably estimated, and the future sacrifice of economic benefits is probable. A provision will also be recognised for onerous contracts where the unavoidable costs of meeting the contractual obligations exceed the economic benefits that are expected to be received under the contract.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

A provision is recognised in relation to pre-paid fees where the cost of providing the purchased goods and/or services is expected to be greater than the amount received/revenue to be recognised and the current service cost can be reliably measured. The provision represents the present value of the expenditure required to provide the goods and/or service, less the amount of revenue to be recognised.

At this time SMCT is aware that there will be ongoing significant cash outflows for future expenditure on perpetual maintenance of the Cemeteries under its control but is unable to calculate a sufficiently reliable estimate of any related present obligation which may arise under the accounting standards and accordingly has not recognised a value for this obligation in these financial statements.

Note 3.3: Superannuation

| Fund | Paid contribution for the year | | Contribution outstanding at year end | |
|---|-----------------------------------|---------------|---|---------------|
| | 2018 \$000 | 2017 \$000 | 2018 \$000 | 2017 \$000 |
| Defined benefit plans ⁽ⁱ⁾ | | | | |
| LASB/Vision superannuation fund | 207 | 255 | 0 | 0 |
| Defined contributions plans | | | | |
| Vision Super | 1,039 | 1,014 | 38 | 0 |
| Other | 953 | 834 | 0 | 9 |
| Total | 2,199 | 2,103 | 38 | 9 |

(i) The bases for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

Superannuation

Employees of SMCT are entitled to receive superannuation benefits and SMCT contributes to both defined benefit and defined contribution plans.

Defined Contribution Superannuation Plans

In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period. Contributions to defined contribution superannuation plans are expensed when incurred.

The defined contribution funds receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with the Superannuation Guarantee Legislation (9.5%). SMCT's current contribution ranges between 9.5% and 13.0%.

No further liability accrues to the employer as the superannuation benefits accruing to

employees are represented by their share of the net assets of their chosen superannuation fund.

Defined Benefit Superannuation Plans

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by SMCT to the superannuation plans in respect of the services of current Cemetery Trust staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and are based upon actuarial advice.

Employees of the SMCT are entitled to receive superannuation benefits and SMCT contributes to both the defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

The name and details of the major employee superannuation funds and contributions made by SMCT are disclosed in Note 3.3: Superannuation.

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Unfunded Defined Benefit Superannuation Liability

SMCT makes employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (LASF), known as Vision Super since 2002, is a not-for-profit industry fund for cemeteries and certain other agencies. Vision Super is the Trustee of both the defined benefit plan (closed since 1993) and the Super Save (accumulation) fund.

In accordance with regulations, the Fund's Trustees are required to complete an actuarial review of superannuation funds at least every three years to ensure the current assets are adequate to meet the benefits that have previously been promised to members.

Superannuation Liabilities

Based on the advice from the Fund's Trustees, SMCT does not recognise any unfunded defined benefit liability in respect of the superannuation plans as at 30 June 2018.

Note 4: Key Assets to Support Service Delivery

SMCT controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to SMCT to be utilised for delivery of those outputs.

Structure

- 4.1 Cash and cash equivalents
- 4.2 Investments and other financial assets
- 4.3 Property, plant & equipment
- 4.4 Depreciation and amortisation
- 4.5 Intangible assets
- 4.6 Investment properties
- 4.7 Inventories

Note 4.1: Cash and Cash Equivalents

For the purposes of the cash flow statement, cash assets includes cash on hand and in banks, and short-term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value.

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$000 | \$000 |
| Cash on hand | 10 | 10 |
| Cash at bank | 23,724 | 14,008 |
| Total cash and cash equivalents | 23,734 | 14,018 |

Note 4.2: Investments and Other Financial Assets

| | 2018 | 2017 |
|-------------------------------------|----------------|----------------|
| | \$000 | \$000 |
| Non-Current | | |
| Managed Units Investments | 266,833 | 247,130 |
| Total other financial assets | 266,833 | 247,130 |

The only financial investments held by SMCT are available for sale investments.

Investments and Other Financial Assets

SMCT classifies its other financial assets between current and non-current assets based on the purpose for which the assets were acquired. Management determines the classification of its other financial assets at initial recognition.

SMCT assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

All financial assets, except those measured at fair value through profit or loss are subject to annual review for impairment.

Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- SMCT retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without
- material delay to a third party under a 'pass through' arrangement; or
- SMCT has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where SMCT has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of SMCT's continuing involvement in the asset.

Impairment of Financial Assets

At the end of each reporting period, SMCT assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through the comprehensive income statement, are subject to annual review for impairment.

Where the fair value of an investment in an equity instrument at balance date has reduced by 20 percent or more than its cost price or where its fair value has been less than its cost price for a period of 12 or more months, the financial asset is treated as impaired.

In order to determine an appropriate fair value as at 30 June 2018 for its portfolio of financial assets, SMCT and its controlled entities used the market value of investments held provided by the portfolio managers.

The above valuation process was used to quantify the level of impairment on the portfolio of financial assets as at year end.

Note 4.3: Property, Plant and Equipment

| 4.3 (a) Gross Carrying Amount and Accumulated Depreciation | 2018 | 2017 |
|---|----------------|----------------|
| | \$000 | \$000 |
| Cemetery infrastructure land at fair value | 13,296 | 13,321 |
| <i>Less impairment</i> | 0 | 0 |
| Total land | 13,296 | 13,321 |
| Buildings, infrastructure and improvements at fair value | 141,788 | 139,015 |
| <i>Less accumulated depreciation</i> | (6,255) | 0 |
| Total buildings, infrastructure and improvements | 135,533 | 139,015 |
| Plant and equipment at fair value | 9,634 | 8,866 |
| <i>Less accumulated depreciation</i> | (5,023) | (4,266) |
| Total plant and equipment | 4,611 | 4,600 |
| Office equipment, furniture and fittings at fair value | 5,896 | 5,238 |
| <i>Less accumulated depreciation</i> | (2,034) | (1,423) |
| Total office equipment, furniture and fittings | 3,862 | 3,815 |
| Capital works in progress at cost | 735 | 629 |
| Total property, plant and equipment | 158,037 | 161,380 |

4.3(b) Reconciliation of Property, Plant and Equipment (public administration purpose groups)

Reconciliations of the carrying amounts of each class of asset for the SMCT at the beginning and end of the previous and current financial year are set out below.

| | Cemetery Infrastructure Land | Buildings, Infrastructure and Improvements | Plant and Equipment | Office Equipment, Furniture and Fittings | Capital Works in Progress | Total |
|----------------------------------|------------------------------------|---|------------------------|---|---------------------------------|----------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Balance at 1 July 2016 | 12,430 | 99,852 | 4,548 | 3,577 | 2,644 | 123,051 |
| Additions | 0 | 0 | 0 | 0 | 7,297 | 7,297 |
| Expenditure on capital works | 0 | 0 | 0 | 0 | (15) | (15) |
| Transfers to completed assets | 0 | 7,526 | 759 | 793 | (9,297) | (220) |
| Disposals | 0 | 0 | (60) | 0 | 0 | (60) |
| Depreciation expense | 0 | (3,588) | (1,082) | (555) | 0 | (5,225) |
| Revaluation of PPE | 891 | 35,225 | 435 | 0 | 0 | 36,551 |
| Balance at 1 July 2017 | 13,321 | 139,015 | 4,600 | 3,815 | 629 | 161,380 |
| Additions | 0 | 2,260 | 0 | 47 | 3,478 | 5,785 |
| Expenditure on capital works | 0 | (0) | (0) | (0) | (539) | (539) |
| Transfers to completed assets | 0 | 662 | 1,146 | 609 | (2,364) | 51 |
| Transfers to other asset classes | (17) | (108) | (0) | (0) | (469) | (595) |
| Disposals | (8) | (0) | (45) | (0) | 0 | (53) |
| Depreciation expense | 0 | (6,304) | (1,089) | (607) | 0 | (8,000) |
| Revaluation of PPE | 0 | 8 | 0 | 0 | 0 | 8 |
| Balance at 30 June 2018 | 13,296 | 13,533 | 4,611 | 3,862 | 735 | 158,037 |

In accordance with the requirements of FRG 103F 'Non current physical assets', these assets were valued by the Valuer-General Victoria, with effect at 30 June 2017

4.3 (c) Fair Value Measurement Hierarchy for Assets

| | Carrying amount as at 30 June 2018 | Fair value measurement at end of reporting period using: | | |
|---|------------------------------------|--|------------------------|------------------------|
| | | Level 1 ⁽ⁱ⁾ | Level 2 ⁽ⁱ⁾ | Level 3 ⁽ⁱ⁾ |
| | \$000 | \$000 | \$000 | \$000 |
| Cemetery infrastructure land at fair value | | | | |
| Non-specialised land | 6,000 | 0 | 6,000 | 0 |
| Specialised land | 7,296 | 0 | 0 | 7,296 |
| Total of land at fair value | 13,296 | 0 | 6,000 | 7,296 |
| Buildings, infrastructure and improvements at fair value | | | | |
| Non-specialised buildings | 4,300 | 0 | 4,300 | 0 |
| Specialised buildings | 131,233 | 0 | 0 | 131,233 |
| Total of buildings at fair value | 135,533 | 0 | 4,300 | 131,233 |
| - Plant and equipment | 4,611 | 0 | 0 | 4,611 |
| Total of plant, equipment and vehicles at fair value | 4,611 | 0 | 0 | 4,611 |
| Office equipment, furniture and fittings at fair value | | | | |
| Office equipment, furniture and fittings | 3,862 | 0 | 0 | 3,862 |
| Total office equipment, furniture and fittings at fair value | 3,862 | 0 | 0 | 3,862 |
| | 157,302 | 0 | 10,300 | 147,002 |

Note

(i) Classified in accordance with the fair value hierarchy
There have been no transfers between levels during the period.

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| | Carrying amount as at 30 June 2017 | Fair value measurement at end of reporting period using: | | |
|---|------------------------------------|--|------------------------|------------------------|
| | | Level 1 ⁽ⁱ⁾ | Level 2 ⁽ⁱ⁾ | Level 3 ⁽ⁱ⁾ |
| | \$000 | \$000 | \$000 | \$000 |
| Cemetery infrastructure land at fair value | | | | |
| Non-specialised land | 6,000 | 0 | 6,000 | 0 |
| Specialised land | 7,321 | 0 | 0 | 7,321 |
| Total of land at fair value | 13,321 | 0 | 6,000 | 7,321 |
| Buildings, infrastructure and improvements at fair value | | | | |
| Non-specialised buildings | 4,300 | 0 | 4,300 | 0 |
| Specialised buildings | 134,715 | 0 | 0 | 134,715 |
| Total of buildings at fair value | 139,015 | 0 | 4,300 | 134,715 |
| - Plant and equipment | 4,600 | 0 | 0 | 4,600 |
| Total of plant, equipment and vehicles at fair value | 4,600 | 0 | 0 | 4,600 |
| Office equipment, furniture and fittings at fair value | | | | |
| Office equipment, furniture and fittings | 3,815 | 0 | 0 | 3,815 |
| Total office equipment, furniture and fittings at fair value | 3,815 | 0 | 0 | 3,815 |
| | 160,751 | 0 | 10,300 | 150,451 |

Note

(i) Classified in accordance with the fair value hierarchy, see Note 1
There have been no transfers between levels during the period.

4.3(d) Reconciliation of Level 3 Fair Value

| | Cemetery infrastructure land at fair value | Buildings, infrastructure and improvements at fair value | Plant and equipment at fair value | Office equipment, furniture and fittings at fair value |
|---|---|--|---|--|
| | \$000 | \$000 | \$000 | \$000 |
| 30 June 2018 | | | | |
| Opening Balance | 7,321 | 134,715 | 4,600 | 3,815 |
| Purchases (sales) | 0 | 2,815 | 1,146 | 654 |
| Transfers in (out) of Level 3 | 0 | 0 | 0 | 0 |
| - transfer to other asset classes | (17) | 0 | 0 | 0 |
| Gains or losses recognised in net result | | | | |
| - Depreciation | 0 | (6,304) | (1,089) | (608) |
| - Disposal of asset | (8) | 8 | (45) | 0 |
| Closing Balance | 7,296 | 131,233 | 4,611 | 3,862 |
| | | | | |
| | Cemetery infrastructure land at fair value | Buildings, infrastructure and improvements at fair value | Plant and equipment at fair value | Office equipment, furniture and fittings at fair value |
| | \$000 | \$000 | \$000 | \$000 |
| 30 June 2017 | | | | |
| Opening Balance | 2,930 | 99,852 | 4,547 | 3,577 |
| Purchases (sales) | 0 | 7,526 | 663 | 790 |
| Transfers in (out) of Level 3 | 3,500 | (4,300) | 0 | 0 |
| Gains or losses recognised in net result | | | | |
| - Depreciation | 0 | (3,588) | (1,045) | (552) |
| Items recognised in other comprehensive income | | | | |
| - Revaluation | 891 | 35,225 | 435 | 0 |
| Closing Balance | 7,321 | 134,715 | 4,600 | 3,815 |

Identifying Unobservable Inputs (level 3) Fair Value Measurements

Level 3 fair value inputs are unobservable valuation inputs for an asset or liability. These inputs require significant judgement and assumptions in deriving fair value for both financial and non-financial assets.

Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same,

i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Assumptions about risk include the inherent risk in a particular valuation technique used to measure fair value (such as a pricing risk model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing the asset or liability i.e., it might be necessary to include a risk adjustment when there is significant measurement uncertainty.

For example, when there has been a significant decrease in the volume or level of activity when compared with normal market activity for the asset or liability or similar assets or liabilities, and SMCT has determined that the transaction price or quoted price does not represent fair value.

SMCT shall develop unobservable inputs using the best information available in the circumstances, which might include SMCT's own data. In developing unobservable inputs, SMCT may begin with its own data, but it shall adjust this data if reasonably available information indicates that other market participants would use different data or there is something particular to SMCT that is not

available to other market participants. SMCT need not undertake exhaustive efforts to obtain information about other market participant assumptions. However, SMCT shall take into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the object of a fair value measurement.

Non-specialised Land, Non-specialised Buildings and Artwork

Non-specialised land, non-specialised buildings and artworks are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised land and non-specialised buildings, an independent valuation was performed by independent valuers VGV to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2017.

To the extent that non-specialised land, non-specialised buildings and artworks do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Specialised Land and Specialised Buildings

The market approach is also used for specialised land and specialised buildings although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the assets being valued. Specialised assets contain significant, unobservable adjustments; therefore these assets are classified as Level 3 under the market based direct comparison approach.

The financial statements adopt a CSO allowance of 95%. That is, fair value is calculated as 5% of the unrestricted land value.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement and takes into account the use of the asset that is physically possible, legally permissible and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For SMCTs, the depreciated replacement cost method is used for the majority of specialised buildings, adjusting for the associated depreciation. As depreciation adjustments are considered as significant and unobservable inputs in nature, specialised buildings are classified as Level 3 for fair value measurements.

An independent valuation of SMCT's specialised land and specialised buildings was performed by the VGV. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2017.

Plant and Equipment

Plant and equipment is held at carrying amount (depreciated cost). When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, the depreciated replacement cost is used to estimate the fair value. Unless there is market evidence that current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the existing carrying amount.

There were no changes in valuation techniques throughout the period to 30 June 2018.

For all assets measured at fair value, the current use is considered the highest and best use.

4.3 (e) Description of Significant Unobservable Inputs to Level 3 Valuations:

| | Valuation technique (i) | Significant unobservable inputs |
|--|------------------------------|--|
| Cemetery - specialised land Over the 9 cemetery sites | Market approach | Community Service Obligation (CSO) adjustment |
| Cemetery - specialised buildings | | |
| Buildings and improvements over the 9 cemetery sites | Depreciated replacement cost | Direct cost per square metre Cost per unit |
| Infrastructure over the 9 cemetery sites | Depreciated replacement cost | Useful life of specialised infrastructure Cost per unit |
| Plant and equipment at fair value | | |
| Plant and equipment over the 9 cemetery sites | Depreciated replacement cost | Cost per unit Useful life of PPE |
| Office equipment, furniture and fittings at fair value | | |
| Office equipment, furniture and fittings over the 9 cemetery sites | Depreciated replacement cost | Cost per unit Useful life of equipment |
| Capital works in progress at cost | | |
| Capital works in progress over the 9 cemetery sites | Cost | Gross replacement cost |

(i) Illustrations on the valuation techniques, significant unobservable inputs and the related quantitative range of those inputs are indicative and should not be directly used without consultation with entities independent valuer. The significant unobservable inputs have remain unchanged from 2017.

4.3 (e) Fair Value Determination:

Crown land is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

Land and buildings are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and accumulated impairment loss.

Plant, equipment and vehicles are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and accumulated impairment loss. Depreciated historical cost is generally a reasonable proxy for fair value because of the short lives of the assets concerned.

Leasehold improvements The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

Revaluations of non-current physical assets

Non-current physical assets are measured at fair value and are revalued in accordance with FRD 103F non-current physical assets.

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This revaluation process normally occurs at least every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying amount and fair value.

Revaluation increments are recognised in 'other comprehensive income' and are credited directly in equity to the asset revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that same class of asset previously recognised as an expense in net result, the increment is recognised as income in the net result.

Revaluation decrements are recognised in 'other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment.

Revaluation increases and revaluation decreases relating to individual assets within an asset class are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation surplus is not normally transferred to accumulated surplus on derecognition of the relevant asset.

In accordance with FRD 103F, SMCT's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

Note 4.4: Depreciation and Amortisation

| | 2018 | 2017 |
|--|--------------|--------------|
| | \$000 | \$000 |
| Depreciation | | |
| Buildings, infrastructure and improvements | 6,304 | 3,588 |
| Plant and equipment | 1,089 | 1,082 |
| Office equipment, furniture and fittings | 607 | 555 |
| Total depreciation | 8,000 | 5,225 |
| Amortisation | | |
| Computer software | 696 | 418 |
| Total amortisation | 696 | 418 |
| Total depreciation and amortisation | 8,696 | 5,643 |

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All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated (i.e. excludes land assets held for sale, and investment properties). Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

Depreciation is generally calculated on a straight-line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives, residual value and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate.

Assets with a cost in excess of \$3,000 (2017 : \$3,000) are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

The following table indicates the expected useful lives of non-current assets on which the depreciation charges are based.

| | 2018 | 2017 |
|--|---------------|---------------|
| Buildings | 14 – 50 years | 14 – 50 years |
| Plant and Equipment | 25 – 50 years | 25 – 50 years |
| Infrastructure and Improvements | 5 – 100 years | 5 – 100 years |
| Office Equipment, Furniture and Fittings | 3 – 25 years | 3 – 25 years |

Note 4.5: Intangible Assets

| | 2018 | 2017 |
|--------------------------------|--------------|--------------|
| | \$000 | \$000 |
| Capitalised computer software | 3,753 | 3,651 |
| Accumulated amortisation (i) | (3,428) | (2,736) |
| Total intangible assets | 325 | 915 |

(i) The consumption of separately acquired intangible assets is included in the 'amortisation' line item, where the consumption of the internally generated intangible assets is included in 'net gain/(loss) on non-financial assets' line item on the comprehensive operating statement

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the previous and current financial year:

| | Total |
|--------------------------------------|--------------|
| | \$000 |
| Capitalised computer software | |
| Balance at 1 July 2016 | 1,146 |
| Additions | 250 |
| Disposals | (63) |
| Amortisation (Note 4.4) | (418) |
| Balance at 1 July 2017 | 915 |
| Additions | 106 |
| Amortisation (Note 4.4) | (696) |
| Balance at 30 June 2018 | 325 |

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Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance such as computer software and development costs.

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to SMCT.

Amortisation

Amortisation is allocated to intangible non-produced assets with finite useful lives on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when

the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The consumption of intangible non-produced assets with finite useful lives is classified as amortisation.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the asset concerned is tested as to whether its carrying amount exceeds its recoverable amount.

Note 4.6: Investment Properties

(a) Movements in carrying value for investment properties as at 30 June 2018

| | 2018 | 2017 |
|---------------------------------------|--------------|--------------|
| | \$000 | \$000 |
| Balance at beginning of period | 2,710 | 2,515 |
| Asset Revaluation Reserve | 124 | 195 |
| Transfer from Buildings | 116 | 0 |
| Balance at end of period | 2,950 | 2,710 |

(b) Fair value measurement hierarchy for investment properties

| | Carrying amount as at 30 June 2018 | Fair value measurement at end of reporting period using: | | |
|-----------------------|--|---|------------------------|------------------------|
| | | Level 1 ⁽ⁱ⁾ | Level 2 ⁽ⁱ⁾ | Level 3 ⁽ⁱ⁾ |
| | \$000 | \$000 | \$000 | \$000 |
| Investment properties | 2,950 | 0 | 2,950 | 0 |
| | 2,950 | 0 | 2,950 | 0 |

| | Carrying amount as at 30 June 2017 | Fair value measurement at end of reporting period using: | | |
|-----------------------|--|---|------------------------|------------------------|
| | | Level 1 ⁽ⁱ⁾ | Level 2 ⁽ⁱ⁾ | Level 3 ⁽ⁱ⁾ |
| | \$000 | \$000 | \$000 | \$000 |
| Investment properties | 2,710 | 0 | 2,710 | 0 |
| | 2,710 | 0 | 2,710 | 0 |

(i) classified in accordance with the fair value hierarchy

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2018.

For investment properties measured at fair value, the current use of the asset is considered the highest and best use.

The fair value of SMCT's investment properties at 30 June 2018 have been arrived on the basis of an independent valuation carried out by the VGV (performed at 30 June 2017).

Investment properties

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude

properties held to meet service delivery objectives of SMCT.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to SMCT.

Subsequent to initial recognition at cost, investment properties are revalued to fair value, determined annually by independent valuers. Fair values are determined based on a market comparable approach that reflects recent transaction prices for similar properties. Investment properties are neither depreciated nor tested for impairment.

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Note 4.7: Inventories

| | 2018 | 2017 |
|--------------------------------------|----------------------|----------------------|
| | \$000 | \$000 |
| Current | | |
| Work in progress/undeveloped | | |
| Land: interment purposes | 1,676 | 1,713 |
| Mausoleum crypts | 61 | 0 |
| Grave foundations/beams | 1,504 | 278 |
| | <u>3,241</u> | <u>1,991</u> |
| Finished Goods | | |
| Consumables/maintenance stores | 92 | 56 |
| Land: interment purposes | 82 | 89 |
| Grave foundations/beams | 2,572 | 1,928 |
| Mausoleum crypts | 2,748 | 2,749 |
| Cremation Memorials | 145 | 260 |
| Other | 92 | 150 |
| | <u>5,731</u> | <u>5,233</u> |
| Total current inventories | <u>8,972</u> | <u>7,224</u> |
| Finished goods | | |
| Land: interment purposes | 713 | 683 |
| Grave foundations/beams | 5,487 | 4,833 |
| Mausoleum crypts | 7,801 | 1,819 |
| Cremation Memorials | 2,018 | 2,048 |
| Total non-current inventories | <u>16,019</u> | <u>9,382</u> |
| Total inventories | <u>24,991</u> | <u>16,606</u> |
| Represented by: | | |
| Consumables/maintenance stores | 92 | 56 |
| Land: interment purposes | 2,471 | 2,485 |
| Grave foundations/beams | 9,563 | 7,039 |
| Mausoleum crypts | 10,610 | 4,568 |
| Cremation Memorials | 2,163 | 2,308 |
| Other | 92 | 150 |
| Total inventories | <u>24,991</u> | <u>16,606</u> |

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Inventories include goods and other property held either for sale or for distribution at zero or nominal consideration, or for consumption in the ordinary course of business operations. It excludes depreciable assets.

Inventories include land allocated for interment purposes held for sale. Inventory of land allocated for interment purposes is measured at the lower of cost and net realisable value on the basis of weighted average cost and includes adjacent land and landscaping that add to the amenity of the land for interment.

Inventories are classified as either works in progress or finished goods. Works in progress includes undeveloped land designated for interment purposes and expenditure on

inventories partially constructed, but not available for sale. Finished goods represent inventories available for sale to customers including developed land to be used for interment purposes.

Inventories also include stock held in maintenance stores, stocks of pre-cast concrete lined graves, pre-poured foundations for graves, memorial wall niches, mausoleum crypts and granite. These inventories are measured at the lower of cost and net realisable value. Cost for these inventories is determined on the basis of weighted average cost.

Inventories expected to be sold/utilised within 12 months are recorded as current, with the balance as non-current assets.

Note 5: Other Assets and Liabilities

This section sets out those assets and liabilities that arose from SMCT's operations.

Structure

5.1 Receivables

5.2 Payables

5.3 Unearned Income

Note 5.1: Receivables

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$000 | \$000 |
| Current | | |
| Contractual | | |
| Trade debtors | 1,874 | 2,026 |
| Accrued interest and dividends | 1,022 | 1,012 |
| Sundry debtors | 10,504 | 7,985 |
| <i>Less provision for doubtful debts</i> | 0 | (25) |
| Statutory | | |
| GST receivable | 128 | 0 |
| Total receivables | 13,528 | 10,998 |

No impairment for credit losses has been booked in a separate account during either financial year reported.

| (a) Movements in the allowance for doubtful debts | 2017 | 2016 |
|--|--------------|--------------|
| | \$000 | \$000 |
| Balance at the beginning of year | 25 | 41 |
| Amount recovered during the year | (25) | (16) |
| Balance at end of year | 0 | 25 |

Receivables consist of:

- contractual receivables, which includes mainly debtors in relation to goods and services, accrued investment income, and finance lease receivables; and
- statutory receivables comprising input tax credits from Goods and Services Tax ("GST")

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less any accumulated impairment.

Doubtful Debts

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful debts are classified as other economic flows included in net result.

Financial Statements - Southern Metropolitan Cemeteries Trust
Notes to the Financial Statements for the year ended 30 June 2018

Note 5.2: Payables

| (a) Payables | 2018 | 2017 |
|-------------------------------|--------------|--------------|
| | \$000 | \$000 |
| CURRENT | | |
| Contractual | | |
| Trade creditors | 2,676 | 1,077 |
| Other creditors and accruals | 4,405 | 4,340 |
| | 7,081 | 5,417 |
| Statutory | | |
| Net GST payable | 0 | 38 |
| Total current payables | 7,081 | 5,455 |

Payables consist of:

- contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to SMCT prior to the end of the financial year that are unpaid, and arise when SMCT becomes obliged to make future payments in respect of the purchase of those goods and services. The normal credit terms for accounts payable are usually nett 30 days
- statutory payables, such as goods and services tax and fringe benefits tax payables.

(a) Liquidity Risk

Liquidity risk arises when SMCT is unable to meet obligations associated with financial liabilities when they fall due.

(i) Policy in Managing Liquidity Risk

SMCT's objectives in managing liquidity risk is to ensure that all obligations will be met as they fall due, while ensuring maximum funds are available for investment to meet longer term perpetual maintenance requirements.

SMCT manages liquidity risk by monitoring cash flows to ensure sufficient funds are maintained in the transactional bank account to meet liabilities as they fall due. Daily monitoring occurs, with monthly reports delivered to management regarding the cash flow position and cash flow forecasts. SMCT believes that this policy ensures sufficient funds are held to allow for the proper administration of SMCT.

SMCT has assessed this risk as minimal considering the positive position of current assets.

Financial Statements - Southern Metropolitan Cemeteries Trust
Notes to the Financial Statements for the year ended 30 June 2018

(ii) Maximum Exposure to Liquidity Risk

The maximum exposure to liquidity risk is the carrying amounts of financial liabilities as follows:

| | 2018 | 2017 |
|------------------------------|--------------|--------------|
| | \$000 | \$000 |
| Financial Liabilities | | |
| Payables | 7,081 | 5,417 |
| Total | 7,081 | 5,417 |

(iii) Maturity analysis of financial liabilities as at 30 June

| Financial liabilities | Carrying amount | Not past due and not impaired | Past due but not impaired | | | |
|-----------------------|-----------------|-------------------------------|---------------------------|------------|-------------------|-----------|
| | | | Less than 1 month | 1-3 Months | 3 Months - 1 Year | 1-5 Years |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| 2018 | | | | | | |
| Payables | 7,081 | 6,536 | 531 | 7 | 7 | 0 |
| Total | 7,081 | 6,536 | 531 | 7 | 7 | 0 |
| 2017 | | | | | | |
| Payables | 5,417 | 5,391 | 20 | 6 | 0 | 0 |
| Total | 5,417 | 5,391 | 20 | 6 | 0 | 0 |

Note 5.3: Unearned Income

| | 2018 | 2017 |
|------------------------------|---------------|---------------|
| | \$000 | \$000 |
| Deposits received in advance | 40,871 | 37,610 |
| Total unearned income | 40,871 | 37,610 |

Unearned income represents monies received in advance of service provision for items including interment, cremation and certain memorialisation products such as granites and plaques. These monies are recorded as revenue in the year that the goods or services are provided.

As SMCT does not have an unconditional right to defer the provision of service, the liability for prepaid fees is recorded as a current liability. Prepaid fees are recorded at their nominal contractual value.

Note 6: How We Finance Our Operations

This section provides information on the sources of finance utilised by SMCT during its operations and other information related to financing activities of SMCT.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note: 7.1 provides additional, specific financial instrument disclosures.

Structure

6.1 Commitments for expenditure

Note 6.1: Commitments For Expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note at their nominal value and are inclusive of the GST payable.

| | 2018 | 2017 |
|--|---------------|--------------|
| | \$000 | \$000 |
| Capital commitments | | |
| Inventory | 22,242 | 7,055 |
| Plant and equipment | 581 | 0 |
| Total capital commitments | 22,823 | 7,055 |
| Operating expenditure commitments | | |
| Electricity, Gas, Other | 4,487 | 2,456 |
| Total operating expenditure commitments | 4,487 | 2,456 |
| Total commitments | 27,310 | 9,511 |
| Capital commitments | | |
| Not longer than 1 year | 22,823 | 7,055 |
| Total capital commitments | 22,823 | 7,055 |
| Operating expenditure commitments | | |
| Not longer than 1 year | 2,092 | 1,517 |
| Longer than 1 year and not longer than 5 years | 2,395 | 940 |
| Total operating expenditure commitments | 4,487 | 2,456 |
| Total commitments | | |
| Not longer than 1 year | 24,915 | 0 |
| Longer than 1 year and not longer than 5 years | 2,395 | 940 |
| Total commitments | 27,310 | 9,511 |

Note 7: Risks, Contingencies and Valuation Uncertainties

Introduction

SMCT is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for SMCT is related mainly to fair value determination.

Structure

7.1 Financial instruments

7.1 (a) Categorisation of financial instruments

7.1 (b) Net gain/ (loss) on disposal of non-financial assets

7.2 Contingent Assets and Contingent Liabilities

Note 7.1: Financial Instruments

Financial risk management objectives and policies

SMCT's principal financial instruments comprise of:

- cash assets;
- receivables (excluding statutory receivables);
- Investments and other financial assets;
- payables (excluding statutory payables).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective notes in the financial statements.

SMCT's main financial risks include credit risk, liquidity risk and interest rate risk. SMCT manages these financial risks in accordance with its financial risk management policy and through the oversight of its Finance and Investment Committee and its Audit and Risk Committee.

The main purpose in holding financial instruments is to provide for our perpetual maintenance obligations whilst prudently managing our financial risks within the government policy parameters.

Financial Statements - Southern Metropolitan Cemeteries Trust
Notes to the Financial Statements for the year ended 30 June 2018

Note 7.1 (a): Categorisation of Financial Instruments

| 2018 | Contractual financial assets - loans and receivables | Contractual financial assets - available for sale | Contractual financial liabilities at amortised cost | Total |
|---|--|---|---|----------------|
| | \$000 | \$000 | \$000 | \$000 |
| Contractual Financial Assets | | | | |
| Cash and cash equivalents | 23,734 | 0 | 0 | 23,734 |
| Receivables | | | | |
| - Trade Debtors | 1,874 | 0 | 0 | 1,874 |
| - Other Receivables | 11,526 | 0 | 0 | 11,526 |
| Investments and other financial assets | | | | |
| - Managed investment/ units | 0 | 266,833 | 0 | 266,833 |
| Total Financial Assets (i) | 37,134 | 266,833 | 0 | 303,967 |
| Financial Liabilities | | | | |
| Payables | 0 | 0 | 7,081 | 7,081 |
| Total Financial Liabilities (ii) | 0 | 0 | 7,081 | 7,081 |
| | | | | |
| 2017 | Contractual financial assets - loans and receivables | Contractual financial assets - available for sale | Contractual financial liabilities at amortised cost | Total |
| | \$000 | \$000 | \$000 | \$000 |
| Contractual Financial Assets | | | | |
| Cash and cash equivalents | 14,018 | 0 | 0 | 14,018 |
| Receivables | | | | |
| - Trade Debtors | 2,026 | 0 | 0 | 2,026 |
| - Other Receivables | 8,972 | 0 | 0 | 8,972 |
| Investments and other financial assets | | | | |
| - Managed investment/ units | 0 | 247,130 | 0 | 247,130 |
| Total Financial Assets (i) | 25,016 | 247,130 | 0 | 272,146 |
| Financial Liabilities | | | | |
| Payables | 0 | | 5,417 | 5,417 |
| Total Financial Liabilities (ii) | 0 | 0 | 5,417 | 5,417 |

(i) The total amount of financial assets disclosed here excludes statutory receivables (i.e. GST input tax credit recoverable)

(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. Taxes payables)

7.1 (b) Net Gain/ (loss) on Disposal of Non-financial Assets

| | Net holding gain/ (loss) \$000 | Total interest income / (expense) \$000 | Total \$000 |
|-------------------------------|--------------------------------------|---|----------------|
| 2018 | | | |
| Financial Assets | | | |
| Cash and Cash Equivalents | 0 | 249 | 249 |
| Available for Sale | 22,184 | 0 | 22,184 |
| Total Financial Assets | 22,184 | 249 | 22,433 |
| 2017 | | | |
| Financial Assets | | | |
| Cash and Cash Equivalents | 0 | 113 | 113 |
| Available for Sale | 24,003 | 0 | 24,003 |
| Total Financial Assets | 20,523 | 113 | 24,116 |

Categories of financial instruments

Receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). SMCT recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables);
- Available for sale investments

Available-for-sale financial instrument

assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other comprehensive income' until the investment is disposed.

Movements resulting from impairment are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows – other comprehensive income' is transferred to other economic flows in the net result.

Financial liabilities at amortised cost

are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method. SMCT recognises the following liabilities in this category:

- payables (excluding statutory payables)

Derecognition of financial assets: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- SMCT retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- SMCT has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where SMCT has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of SMCT's continuing involvement in the asset.

Impairment of financial assets: At the end of each reporting period, SMCT assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

Reclassification of financial instruments:

Subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

Available for sale financial instrument assets that meet the definition of loans and receivables may be reclassified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

Derecognition of financial liabilities:

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

Note 7.2: Contingent Assets and Contingent Liabilities

Quantifiable

There are no quantifiable contingent assets at 30th June 2018 (2017 : Nil)

Non – Quantifiable

Perpetual Maintenance

SMCT has an obligation under the *Cemeteries and Crematoria Act 2003* to manage and maintain each public cemetery for which it is responsible. As stated in section 12 of the Act, in exercising its functions, SMCT must have regard to its obligations in relation to the funding of the perpetual maintenance of each public cemetery

Note 8: Other Disclosures

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

Structure

- 8.1 Equity
- 8.2 Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities
- 8.3 Responsible persons disclosures
- 8.4 Executive officer disclosures
- 8.5 Related parties
- 8.6 Remuneration of auditors
- 8.7 Ex-gratia expenses
- 8.8 AASBs issued that are not yet effective
- 8.9 Events occurring after the balance sheet date

Note 8.1: Equity

| | 2018 | 2017 |
|---|----------------|----------------|
| | \$000 | \$000 |
| Composition of equity | | |
| Contributed capital | 63,060 | 61,464 |
| Accumulated surplus | 12,178 | 14,931 |
| Physical asset revaluation surplus | 37,792 | 37,660 |
| Available for sale investment revaluation surplus | 14,898 | 7,089 |
| Perpetual maintenance reserve | 310,908 | 285,907 |
| Total equity | 438,836 | 407,051 |
| (a) Movement in Contributed Capital | | |
| Balance at the beginning of this period | 61,464 | 61,464 |
| Amalgamation of Sorrento Cemetery Trust | 1,596 | 0 |
| Balance at the end of the period | 63,060 | 61,464 |
| (b) Movement in accumulated surplus | | |
| Balance at the beginning of the period | 14,931 | 16,264 |
| Net result for the period | 22,248 | 25,414 |
| Transfer to perpetual maintenance reserve | (25,001) | (26,746) |
| Balance at the end of the period | 12,178 | 14,931 |
| (c) Physical asset revaluation surplus | | |
| Buildings, infrastructure & improvements | 35,261 | 35,253 |
| Plant and equipment | 1,349 | 1,349 |
| Infrastructure land | 1,182 | 1,058 |
| Total physical asset revaluation surplus | 37,792 | 37,660 |

Financial Statements - Southern Metropolitan Cemeteries Trust
Notes to the Financial Statements for the year ended 30 June 2018

Note 8.1: Equity (continued)

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$000 | \$000 |
| Represented by: | | |
| Buildings, infrastructure & improvements | | |
| Balance at the beginning of the period | 35,253 | 0 |
| Revaluation increment/(decrement) | 8 | 35,253 |
| Balance at the end of the period | 35,261 | 35,253 |
| Plant and equipment | | |
| Balance at the beginning of the period | 1,349 | 914 |
| Revaluation increment/(decrement) | 0 | 435 |
| Balance at the end of the period | 1,349 | 1,349 |
| Infrastructure Land | | |
| Balance at the beginning of the period | 1,058 | 0 |
| Revaluation increment/(decrement) | 124 | 1,058 |
| Balance at the end of the period | 1,182 | 1,058 |
| Total physical asset revaluation surplus | 37,792 | 37,660 |
| | | |
| (d) Available for sale investment revaluation surplus | | |
| Balance at the beginning of the period | 7,089 | (2,227) |
| Revaluation increment/(decrement) | 7,809 | 9,316 |
| Balance at the end of the period | 14,898 | 7,089 |
| | | |
| (e) Perpetual maintenance reserve | | |
| Memorial gardens - opening balance | 39,541 | 37,451 |
| Transfers from accumulated funds | 2,173 | 2,090 |
| Memorial gardens - closing balance | 41,714 | 39,541 |
| Cemetery gardens - opening balance | 165,712 | 148,032 |
| Transfers from accumulated funds | 17,544 | 17,680 |
| Cemetery gardens - closing balance | 183,256 | 165,712 |
| Mausoleum crypts - opening balance | 80,654 | 73,678 |
| Transfers from accumulated funds | 5,284 | 6,976 |
| Mausoleum crypts - closing balance | 85,938 | 80,654 |
| Total perpetual maintenance reserve | 310,908 | 285,907 |

Contributed Capital

Consistent with Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities and FRD 119A Contributions by Owners*, appropriations for additions to the net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners that have been designated as contributed capital are also treated as contributed capital.

Property, plant and equipment revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current physical assets.

Financial asset available-for-sale revaluation surplus

The available for sale revaluation surplus arises on the revaluation of available for sale financial assets. Where a revalued financial asset is sold that portion of the surplus which relates to that financial asset is effectively realised and is recognised in the comprehensive operating statement. Where a revalued financial asset is impaired that portion of the surplus which relates to that financial asset is recognised in the comprehensive operating statement.

Perpetual Maintenance Reserve Policy

Under Section 12 of the *Cemeteries and Crematoria Act 2003*, SMCT must have regard to the perpetual maintenance obligations in respect of the cemeteries for which it is responsible. Consequently, SMCT makes an annual transfer from its accumulated surplus to a perpetual maintenance reserve. The amount of the transfer is based on a percentage of the total revenue generated from each right of interment in the most recent financial year, amortised on a straight-line basis over the period for which the maintenance obligation may accrue. The transfer rate is determined by SMCT annually, taking into account current demand forecasts and SMCT's inventory development plans. The following percentage rates and amortisation periods applied for the years ending 30 June 2018 and 30 June 2017:

| Right of Interment | Transfer Rate Year ending 30 June 2018 | Transfer Rate Year ending 30 June 2017 | Amortisation Period |
|--------------------|--|--|--|
| Cremation Memorial | 60% | 60% | Over shorter of period of tenure and 100 years |
| Grave | 90% | 90% | 100 years |
| Mausoleum Crypt | 70% | 70% | 100 years |

The reserve transfer is not considered a reliable estimate of the future obligation and is indicative only. Accordingly, no provision for these future costs has been recognised in these financial statements (Note 3.2).

Note 8.2 Reconciliation of Net Result for the Year to Net Cash Inflow/ (outflow) From Operating Activities

| (a) Net cash flows from/(used in) operating activities | 2018 | 2017 |
|---|---------------|---------------|
| | \$000 | \$000 |
| Operating result for the year | 2,248 | 25,414 |
| Non-cash flows in operating surplus | | |
| Depreciation/amortisation | 8,696 | 5,643 |
| Provision for doubtful debts | 25 | 25 |
| Net (gain)/loss from sale of property, plant and equipment | (668) | (100) |
| Changes in assets and liabilities | | |
| (Increase)/decrease in receivables | (2,505) | (2,130) |
| (Increase)/decrease in prepayments | (68) | 16 |
| (Increase)/decrease in inventories | (7,899) | 2,536 |
| Increase/(decrease) in payables | 1,622 | (993) |
| Increase/(decrease) in provisions | 37 | (304) |
| Increase/(decrease) in unearned income | 3,261 | 3,660 |
| Net cash flows from/(used in) operating activities | 24,699 | 33,768 |

Note 8.3: Responsible Persons Disclosures

In accordance with the Ministerial Directions issued by the Minister for *Finance under the Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

| | Period |
|--|------------------------|
| Responsible Ministers: | |
| The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services | 1/07/2017 - 30/06/2018 |
| Governing boards | |
| Sue Renkin (Chairman) | 1/07/2017 - 30/06/2018 |
| Julie Busch | 1/07/2017 - 30/06/2018 |
| Sam Afra | 1/07/2017 - 30/06/2018 |
| Brian Oates | 1/07/2017 - 30/06/2018 |
| Leigh Mackay | 1/07/2017 - 30/06/2018 |
| Roger Chao | 1/09/2017 - 30/06/2018 |
| Sandhya Chakravarty | 1/09/2017 - 30/06/2018 |
| Phil Davies | 1/09/2017 - 30/06/2018 |
| Richard Jones | 1/07/2017 - 31/08/2017 |
| Gaye Mason | 1/07/2017 - 31/08/2017 |
| Matthew Mills | 1/07/2017 - 31/08/2017 |
| Stephen Shipp | 1/07/2017 - 31/08/2017 |
| Accountable officers | |
| Jane Grover | 1/07/2017 - 30/06/2018 |

Remuneration of Responsible Persons

The number of Responsible Persons are shown in their relevant income bands:

| Income Band | 2018 No. | 2017 No. |
|--|------------------|------------------|
| \$0 - \$9,999 | 4 | 0 |
| \$10,000 - \$19,999 | 7 | 8 |
| \$30,000 - \$39,999 | 1 | 1 |
| \$310,000 - \$319,999 | 1 | 1 |
| Total numbers | 13 | 10 |
| Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to: | \$454,457 | \$464,577 |

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report as disclosed in Note 8.5 Related Parties.

Note 8.4: Executive Officer Disclosures

| Remuneration of Executive Officers (including Key Management Personnel Disclosed in Note 8.5) | Total Remuneration | |
|--|--------------------|---------------|
| | 2018 \$000 | 2017 \$000 |
| Short-term Benefits | 2,343 | 2,209 |
| Post-employment Benefits | 219 | 207 |
| Other Long-term Benefits | 80 | 273 |
| Termination Benefits | 54 | 0 |
| Total Remuneration⁽ⁱ⁾ | 2,696 | 2,689 |
| Total Number of Executives | 17 | 14 |
| Total Annualised Employee Equivalent ⁽ⁱⁱ⁾ | 14.78 | 13.9 |

(i) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of SMCT under AASB 124 Related Party Disclosures and are also reported within Note 8.5 Related Parties.

(ii) Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

Note 8.5: Related Parties

SMCT is a wholly owned and controlled entity of the State of Victoria. Related parties of SMCT include:

- all key management personnel and their close family members;
- all cabinet ministers, their close family members and their related entities; and
- all Cemetery Trusts and public- sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Key management personnel (KMP) of SMCT include the Portfolio Ministers and Cabinet Ministers and KMP as determined by SMCT. The compensation detailed below excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

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Notes to the Financial Statements for the year ended 30 June 2018

| Compensation | 2018 | 2017 |
|--|--------------|--------------|
| | \$000 | \$000 |
| Short term employee benefits | 1,553 | 1,706 |
| Post-employment benefits | 138 | 150 |
| Other long-term benefits | 32 | 29 |
| Termination benefits | 0 | 58 |
| Total Compensation | 1,723 | 1,943 |
| | | |
| Total Number of Executives | 19 | 14 |
| Total Annualised Employee Equivalent ⁱⁱ | 15.17 | 13.9 |

ii Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

Note 8.6: Remuneration of Auditors

| | 2018 | 2017 |
|---|--------------|--------------|
| | \$000 | \$000 |
| Victorian Auditor-General's Office | | |
| Audit of financial statement | 87 | 85 |
| | <u>87</u> | <u>85</u> |
| | | |
| Other Providers | | |
| Audit fees - other | 54 | 62 |
| | <u>54</u> | <u>62</u> |

Note 8.7: Ex-gratia Expenses

During the reporting period, no ex gratia payments were made (2017: Nil)

Note 8.8: AASBs Issued That Are Not Yet Effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2018 reporting period. The Department of Treasury and Finance assesses the impact of all these new standards and advises SMCT of their applicability and early adoption where applicable.

As at 30 June 2018, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. SMCT has not and does not intend to adopt these standards early.

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Notes to the Financial Statements for the year ended 30 June 2018

| Standard/ Interpretation ¹ | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|---|---|--|---|
| <i>AASB 9 Financial Instruments</i> | The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedge accounting model and a revised impairment loss model to recognise expected impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. | 1 Jan 2018 | The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. The initial application of AASB 9 is not expected to significantly impact the financial position however there will be a change to the way financial instruments are classified and new disclosure requirements. |
| <i>AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]</i> | Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018, and to amend reduced disclosure requirements. | 1 Jan 2018 | This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements. |
| <i>AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9</i> | Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. | 1 Jan 2018 | The assessment has indicated that there will be no significant impact for the public sector. |
| <i>AASB 15 Revenue from Contracts with Customers</i> | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017. | 1 Jan 2018 | The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. |

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| Standard/ Interpretation ¹ | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|---|--|--|---|
| AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i> | Amends the measurement of trade receivables and the recognition of dividends as follows: <ul style="list-style-type: none"> • Trade receivables that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. • Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> – the entity's right to receive payment of the dividend is established; – it is probable that the economic benefits associated with the dividend will flow to the entity; and – the amount can be measured reliably. | 1 Jan 2018, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018 | The assessment has indicated that there will be no significant impact for the public sector. |
| AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> | This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018. | 1 Jan 2018 | This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements. |
| AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i> | This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: <ul style="list-style-type: none"> • A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). | 1 Jan 2018 | The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above. |

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| Standard/ Interpretation ¹ | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|--|---|--|---|
| AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i> | This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019. | 1 Jan 2019 | This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period. |
| AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i> | AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15. This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. | 1 Jan 2019 | This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include: AASB 9 <ul style="list-style-type: none"> • Statutory receivables are recognised and measured similarly to financial assets AASB 15 <ul style="list-style-type: none"> • The “customer” does not need to be the recipient of goods and/or services; • The “contract” could include an arrangement entered into under the direction of another party; • Contracts are enforceable if they are enforceable by legal or “equivalent means”; • Contracts do not have to have commercial substance, only economic substance; and • Performance obligations need to be “sufficiently specific” to be able to apply AASB 15 to these transactions. |
| AASB 16 <i>Leases</i> | The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on balance sheet. | 1 Jan 2019 | The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged. |

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| Standard/ Interpretation ¹ | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|--|---|--|---|
| AASB 1058 <i>Income of Not-for-Profit Entities</i> | <p>AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions.</p> <p>The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public-sector context, AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.</p> | 1 Jan 2019 | <p>The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds.</p> <p>This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets.</p> <p>The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants.</p> <p>The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.</p> |

Note 8.9: Events Occurring After the Balance Sheet Date

The Trust has become aware of adverse soil conditions at one of our operating sites which impacts the suitability of the specific area. The area is presently being remediated and the costs remain unquantifiable at this time.

Care Compassion Community



SOUTHERN
METROPOLITAN
CEMETERIES TRUST

Honouring and celebrating life

Telephone (03) 9546 9377 Facsimile (03) 9546 8628
Princes Highway Springvale – PO Box 1159, Clayton Vic 3169
Website smct.org.au Email enquiries@smct.org.au

The Southern Metropolitan Cemeteries Trust (SMCT) is a not-for-profit, community based organisation that cares for Bunurong and Cheltenham Memorial Parks, and Brighton General, Cheltenham Pioneer, Dandenong Community, Melbourne General, Sorrento, Springvale Botanical and St Kilda cemeteries.